



大众公用

DaZhong Public Utilities

股份代號：1635

Stock Code: 1635



上海大眾公用事業（集團）股份有限公司

SHANGHAI DAZHONG PUBLIC UTILITIES (GROUP) CO., LTD.

（於中華人民共和國註冊成立的股份有限公司）

(A joint stock company incorporated in the People's Republic of China with limited liability)

2017年中期報告

2017 INTERIM REPORT



# 2017 INTERIM REPORT

## IMPORTANT NOTICE

I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company confirm that the contents in this interim report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

II. Absence of the meeting of the Board of Directors

Position of absent Director	Name of absent Director	Reason for absence	Name of proxy
Director	Chan Wingkin (陳永堅)	On business trip	Yang Guoping (楊國平)
Director	Cheung Yipsang (張葉生)	On business trip	Yang Guoping (楊國平)

III. This interim report is unaudited.

IV. Yang Guoping (楊國平), the person-in-charge and the Chairman of the Company, Zhao Ruijun (趙瑞均), the person-in-charge of accounting and Hu Jun (胡軍), the head of the accounting institution (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this interim report.

V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period

No.

VI. Risks disclaimer of the forward-looking statements

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors should be aware of the investment risks.

VII. Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose?

No.

VIII. Any provision of external guarantee in violation of the stipulated decision making procedure?

No.

IX. Material risk alert

The report contains the description of the possible risks related to the Company. Please refer to "Report of the Board of Directors — Discussion and Analysis of Operation — Potential Risks".

Unless otherwise illustrated in this report, the currency for amounts herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

This report is prepared in Chinese and English, respectively, and the Chinese version shall prevail if any ambiguities arise from the understanding of the Chinese and English texts.

# CONTENTS

Definitions . . . . .	1
Corporate Information . . . . .	4
Highlights of Accounting Data and Financial Indicators. . . . .	5
Report of the Board of Directors. . . . .	9
Significant Events . . . . .	27
Changes in Shares and Particulars of Shareholders . . . . .	36
Directors, Supervisors, Senior Management and Employees . . . . .	42
Particulars of Corporate Bonds . . . . .	48
Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income . . . . .	52
Condensed Consolidated Statements of Financial Position . . . . .	53
Condensed Consolidated Statements of Changes in Equity . . . . .	55
Condensed Consolidated Statements of Cash Flows. . . . .	56
Notes to the Unaudited Condensed Consolidated Financial Statements . . . . .	59



## DEFINITIONS

Unless otherwise stated in context, the following terms should have the following meanings in this report:

"2016 AGM"	the annual general meeting of the Company convened on May 25, 2017
"Articles of Association"	the articles of association of the Company which took effect on the Listing Date, as amended or supplemented from time to time
"A Share(s)"	domestic share(s) of our Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"Board"	the board of directors of the Company
"BOT"	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, construction, operation and maintenance of municipal facilities in a concession period, during which the enterprise can charge service fees to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government
"BT"	Build and Transfer, a project model whereby an enterprise undertakes the financing and construction of a facility for the proprietor for certain fees to be paid during and upon the completion of the construction
"CG Code"	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China. References in this interim report to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 1, 1992
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dazhong Financial Leasing"	Shanghai Dazhong Financial Leasing Co., Ltd.* (上海大眾融資租賃有限公司)
"Dazhong Gas"	Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司) (formerly known as South Shanghai Gas Co., Ltd.* (上海燃氣市南銷售有限公司))
"Dazhong Hong Kong"	Dazhong (Hong Kong) International Corporation Limited (大眾(香港)國際有限公司)

# 2017

DaZhong Public Utilities

大眾公用

## DEFINITIONS

“Dazhong Jiading Sewage”	Shanghai Dazhong Jiading Sewage Co., Ltd.* (上海大眾嘉定污水處理有限公司)
“Dazhong Transportation Group”	Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 6, 1994, whose A shares (Stock Code: 600611.SH) and B shares (Stock Code: 900903.SH) have been listed on the Shanghai Stock Exchange since August 7, 1992
“Director(s)”	the director(s) of the Company
“Fund”	Shanghai Huacan Equity Investment Fund Partnership (上海華璨股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC in November 2016 in accordance with the PRC Partnership Law (《中華人民共和國合夥企業法》)
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign share(s) in our registered share capital, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PPP”	public-private-partnership (混合所有制)
“Reporting Period”	the six months ended June 30, 2017

## DEFINITIONS

“Shanghai Dazhong Business Management”	Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司), a limited liability company incorporated in the PRC on March 10, 1995 and the substantial shareholder of the Company
“Shanghai Gas Group”	Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“SME(s)”	small and medium-sized enterprise(s)
“Suchuang Gas”	Suchuang Gas Corporation Limited* (蘇創燃氣股份有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1430)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“United States” or “U.S.”	the United States of America

# 2017

DaZhong Public Utilities

大众公用

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Yang Guoping (楊國平) (*Chairman*)  
Mr. Liang Jiawei (梁嘉璋) (*Chief Executive Officer*)  
Ms. Yu Min (俞敏)  
Mr. Zhuang Jianhao (莊建浩)  
Mr. Yang Weibiao (楊衛標)

#### Non-executive Directors

Mr. Chan Wing Kin (陳永堅)  
Mr. Li Songhua (李松華)  
Mr. Cheung Yip Sang (張葉生)

#### Independent Non-executive Directors

Mr. Wang Kaiguo (王開國)  
Mr. Yao Cho Fai Andrew (姚祖輝)  
Mr. Chow Siu Lui (鄒小磊)  
Mr. Wang Hongxiang (王鴻祥)  
Mr. Liu Zhengdong (劉正東)

### SUPERVISORS

Mr. Yang Jicai (楊繼才) (*Chairman*)  
Ms. Zhao Siyuan (趙思淵)  
Ms. Zhao Fei (趙飛)

### JOINT COMPANY SECRETARIES

Ms. Zhao Fei (趙飛)  
Mr. Wong Yat Tung (黃日東)

### AUTHORIZED REPRESENTATIVES

Mr. Liang Jiawei (梁嘉璋)  
Mr. Wong Yat Tung (黃日東)

### AUDIT COMMITTEE

Mr. Wang Hongxiang (王鴻祥) (*Chairman*)  
Mr. Yao Cho Fai Andrew (姚祖輝)  
Mr. Chow Siu Lui (鄒小磊)

### NOMINATION COMMITTEE

Mr. Yao Cho Fai Andrew (姚祖輝) (*Chairman*)  
Mr. Yang Guoping (楊國平)  
Mr. Liu Zhengdong (劉正東)

### REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wang Kaiguo (王開國) (*Chairman*)  
Mr. Yang Guoping (楊國平)  
Mr. Yao Cho Fai Andrew (姚祖輝)

### REGISTERED OFFICE

518 Shangcheng Road  
Pudong New Area  
Shanghai  
PRC

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

8/F, Dazhong Building  
1515 Zhongshan West Road  
Shanghai  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3011, Tower 6, The Gateway  
1 Canton Road  
Tsim Sha Tsui  
Hong Kong

### STOCK NAME

Shanghai Dazhong Public Utilities (Group) Co., Ltd.

### STOCK ABBREVIATION

DZUG

### SHARE LISTING

A Share: Shanghai Stock Exchange  
Stock Code: 600635  
H Share: The Stock Exchange of Hong Kong Limited  
Stock Code: 1635

### A SHARE REGISTRAR AND TRANSFER OFFICE IN THE PRC

China Securities Depository & Clearing Corporation Limited (CSDCC) Shanghai Branch  
China Insurance Building  
166 East Lujiazui Road  
Pudong District  
Shanghai, China

### H SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### COMPANY'S WEBSITE

[www.dzug.cn](http://www.dzug.cn)

## HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

## I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

## (I) Key Accounting Data

Unit: RMB'000

Key accounting data	During the	Corresponding	Increase/decrease
	Reporting Period (January to June)	period last year	of the Reporting Period as compared with the corresponding period last year (%)
Operating revenue	2,480,420	2,544,025	-2.50
Net profit attributable to shareholders of listed Company	202,735	300,083	-32.44
Net profit attributable to shareholders of listed Company, net of non-recurring profit or loss	197,607	331,001	-40.30
Net cash flows from operating activities	445,482	462,076	-3.59

  

	At the end of the	At the end of	Increase/decrease
	Reporting Period	last year	at the end of the Reporting Period as compared with the end of last year (%)
Net assets attributable to shareholders of listed Company	7,085,639	7,063,045	0.32
Total assets	18,047,702	17,009,889	6.10

The primary reason for the decrease in the net profit is the continued appreciation of RMB this year, resulting in the Company's loss on foreign exchange arising from the translation of capital (dominated in HK dollars) as at the end of the period raised by the issuance of H shares last year, and that direct investment projects were withdrawn intensively from certain venture capital platforms last year and that there is no such case this year. The profitability of the Company's public utilities segment maintained a better growth, in particular, the profit of the gas segment recorded the highest level in history.

## HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

## (II) Key Financial Indicators

Key financial indicators	During the Reporting Period (January to June)	Corresponding period last year	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB per share)	0.07	0.12	-42.73
Diluted earnings per share (RMB per share)	0.07	0.12	-42.73
Basic earnings per share (RMB per share), net of non-recurring profit or loss	0.07	0.12	-50.11
Weighted average return on net assets (%)	2.82	5.38	decreased by 2.56 percentage point
Weighted average return on net assets (%), net of non-recurring profit or loss	2.75	5.69	decreased by 2.94 percentage point

## II. DISCREPANCIES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Discrepancies in net profit and net assets attributable to shareholders of the listed company in the financial report disclosed under the International Accounting Standards and under the China Accounting Standards

Unit: RMB'000

	Net profit		Net assets attributable to shareholders of the listed company	
	Amount for the current period	Amount for the previous period	Amount at the end of the period	Amount at the beginning of the period
Prepared in accordance with the China Accounting Standards	202,735	–	7,141,806	7,119,211
Item and amount of adjustment in accordance with the International Accounting Standards:				
Outstanding shares under share reform	–	–	(56,166)	(56,166)
Prepared in accordance with the International Accounting Standards	202,735	–	7,085,639	7,063,045

## HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

## III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB'000

Non-recurring profit or loss items	Amount	Note (if applicable)
Gain or loss on disposal of non-current assets	(8,040)	–
Tax refunds, reductions or exemption without authorised approval or without official approval documents or on an occasional basis	–	–
Government grants recognized in profit or loss of the current period, excluding those closely related to the normal operation of the Company and granted on an ongoing basis in fixed amount or fixed quota in accordance with government policies and regulations	4,675	–
Finance charges from non-financial enterprises recognized in profit or loss of the current period	–	–
Gains from the difference between investment costs for acquisition of subsidiaries, associates and joint ventures and the shares of the fair value of identifiable net assets acquired	–	–
Profit or loss from exchange of non-monetary assets	–	–
Gain or loss from entrusted investments or asset management	–	–
Provision for impairment of assets due to force majeure such as natural disasters	–	–
Profit or loss from debt restructuring	–	–
Corporate restructuring costs, such as employee layoff expenses and integration costs	–	–
Profit or loss representing the difference between the unfair transaction consideration and the fair value of the transaction	–	–
Net profit or loss of fellow subsidiaries from the beginning of the current period to the date of acquisition	–	–
Profit or loss from contingencies unrelated to the Company's ordinary operations	–	–

# 2017

DaZhong Public Utilities

大众公用

## HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB'000

Non-recurring profit or loss items	Amount	Note (if applicable)
Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gain from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business in the ordinary operations of the Company	8,742	—
Reversal of the provisions for impairment of receivables subject to individually impairment test	—	—
Profit or loss from external entrusted loans	—	—
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement	—	—
Adjustment to profit or loss for the current period in accordance with laws and regulations on taxation and accounting	—	—
Fees income from custodian business	—	—
Non-operating income and expense other than the above items	235	—
Other profit and loss items falling within the meaning of non-recurring profit and loss	—	—
Effects of minority interests	37	—
Effects of income tax	(522)	—
Total	5,127	—



## REPORT OF THE BOARD OF DIRECTORS

### I. THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY REVIEW DURING THE REPORTING PERIOD

#### (I) The Company's Principal Business, Business Model and Major Performance Drivers:

The Company is principally engaged in public utility and financial investment businesses, which are the two major sources of profit of the Company. In particular, public utility business includes (i) city gas, (2) wastewater treatment, (3) urban transportation, and (4) infrastructure investment and operation, and financial investment business includes (1) financial services and (2) venture capital business. During the Reporting Period, there was no material change in the Company's principal business.

#### 1. Public Utility

- (1) **City gas:** The gas companies under the Company are principally engaged in provision of piped gas and related services. The Company procures gas from the upstream natural gas production and sales companies, sells the gas to residential, commercial and industrial end users through its proprietary urban gas pipeline network, and also provides relevant distribution services. Meanwhile, the Company provides new users with extended services such as gas installation, installation of pipeline connected to the gas meter reader and relocation. Currently, the Company is the sole supplier of piped natural gas in the South Puxi Area and also the dominant supplier of natural gas in Nantong urban area in Jiangsu Province. The Company also entered the Songjiang District and Fengxian District in Shanghai by way of equity investment, and made equity investment in Suchuang Gas in 2016 to expand its business to Taicang, Jiangsu Province.

Major performance drivers: City gas business is affected by the adjustment to gas price, the number of users and amount of natural gas consumed. Urbanization and clean energy strategy will further facilitate the replacement of coal with natural gas, thereby further increasing the natural gas usage. The strengthened regulation on the transportation price of piped gas by the National Development and Reform Commission will provide powerful support and policy to the marketization reform of natural gas price.

- (2) **Wastewater treatment:** The Company operates wastewater treatment plants with high operation efficiency in various areas of the Yangtze River Delta. All wastewater treatment plants adopt matured wastewater treatment process in China, which can basically satisfy the existing requirements and standards of treated water discharge. At the end of the Reporting Period, the Company has six large wastewater treatment plants and four small urban wastewater treatment plants in Shanghai, Xuzhou and Lianyungang in Jiangsu Province with total designed capacity of 405,000 cubic meters per day. The wastewater treatment companies conduct wastewater treatment business pursuant to the concession agreement entered into with local governments where the governments procure wastewater treatment services from the Company during the concession period. In addition, the Company has invested in a wastewater treatment company in Xiaoshan District, Hangzhou, Zhejiang Province under a BT arrangement, and gains investment return through the receipt of ongoing special subsidy by such company.

## REPORT OF THE BOARD OF DIRECTORS

Major performance drivers: With the continuing urbanization, continuous increase of urban population and continuous enhancement of environmental protection standards, all wastewater treatment plants continuously carry out renovation in response to the government's requirements, and actively increase their capacity to gradually expand the existing business scale and create space for the upward adjustment of price.

- (3) **Urban transportation:** Dazhong Transportation Group under the Company is the largest provider of comprehensive transportation services in Shanghai and Yangtze River Delta area, owns a total of approximately 13,895 vehicles including taxies, rental cars, logistics trucks and tourism buses, and provides comprehensive transportation and ancillary services such as taxi, car rental, service, logistics and tourism through Dazhong Taxi and Dazhong Leasing Car. In response to the effects of internet model on traditional taxi industry, leveraging on the advantage of Dazhong brand, Dazhong Transportation Group launched the "Dazhong Chuxing" platform at the end of March 2016 to provide regular online car hailing services.

Major performance drivers: The Company put great efforts in the development of corporate car rental segment in urban transportation business, actively explored the "+ Internet" model in traditional taxi industry, and became the first taxi company in China which obtained the legal and compliant qualification for operation of online car hailing platform, so as to improve its ability in provision of comprehensive urban transportation services.

- (4) **Infrastructure investment and operation:** The Company conducts infrastructure investment, construction and operation under BOT and BT arrangements in Shanghai and Changzhou, Jiangsu Province. In particular, the Xiangyin Road tunnel in Shanghai invested, constructed and operated by the Company under BOT arrangement is a tunnel across Huangpu River in the north of Zhonghuan Road, Shanghai. During the concession period, the Shanghai government provides ongoing special subsidy to the Company as investment payback and return, and the Company provides operation maintenance and protection services. In addition, the Company invested in the urban main road renovation and expansion projects of Changjiao Road and Paotong Road in Changzhou, Jiangsu Province under BT arrangements, and received investment payback and return from the ongoing operation subsidy granted by the local government.

Major performance drivers: The Company further increases its revenue through continuous improvement of tunnel operation management standard to seek new infrastructure investment projects.

## REPORT OF THE BOARD OF DIRECTORS

### 2. *Financial investment*

- (1) **Financial services:** This segment includes finance leasing companies, micro-credit companies and Dazhong Commerce third party payment platform wholly owned or majority owned by the Company and certain securities companies and banks of which the Company owns equity interest. In particular, finance leasing companies endeavor to provide personalized finance leasing solutions and value-added services to the customers, and provide comprehensive financing solutions to the customers by way of direct financial leasing and sale-leaseback. Dazhong Commerce is engaged in issue of "Dazhong e-Card (大眾e通卡)", which is a multi-functional prepaid card approved by the PBOC covering various sectors such as supermarket, department stores, food and beverage, entertainment and car services. The card can be also used for payment of public utility fees, mobile phone card top up and shopping online. Micro-credit companies are principally engaged in provision of micro-credit services to corporate customers such as SMEs.

Major performance drivers: The Company continuously improves the financial service standards, identifies quality customers and increase the registered capital to improve its profitability.

- (2) **Venture capital business:** The Company has five venture capital platforms, including Dazhong Capital and Dazhong Asset Management wholly owned by the Company as well as Shenzhen Capital Group Co., Ltd., Shanghai Hangxin Investment Management Co., Ltd. and Xingye Venture Capital Co., Ltd. in which the Company owns majority interest. The senior management of the Company serve as the chairman or vice chairman and members of investment decision-making committee of all venture capital platforms with deep involvement in the venture capital business. The Company receives profit distribution from the platform companies through the management of venture capital funds by the platforms as well as the exit of projects directly invested by the platforms. In addition, the Company also participated in quality private funds, invested in China Media Capital (the first culture fund registered with the National Development and Reform Commission in China) as a major limited partner, and invested in Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership)\* (上海華璨股權投資基金合夥企業(有限合夥)) and a segregated portfolio of New China Innovation Fund (a US dollar denominated fund) in 2017. Meanwhile, leveraged on its ability in project identification, follow-up investment and post-investment management, the Company also directly invested in certain projects with potential, among which Songz Automobile Air Conditioning Co., Ltd.\* (上海加冷松芝汽車空調股份有限公司) (Stock Code: 002454.SZ) and Shanghai M&G Stationery Inc.\* (上海晨光文具股份有限公司) (Stock Code: 603899.SH) were listed.

Major performance drivers: The Company increases the revenue from venture capital business by strengthening the investment, management and exit ability of platform companies and funds, meanwhile enhancing the ability of its internal investment team and optimizing the systems to improve the profitability of direct investment business.

\* For identification purposes only

## REPORT OF THE BOARD OF DIRECTORS

## (II) Industry Review

## 1. Public Utility

## (1) City Gas Industry

Natural gas is quality low-carbon and clean energy with high efficiency. It contains almost no sulfur, dust or other toxic. Most of the developed countries consider natural gas as an important alternative for clean energy, and natural gas has become the most promising major energy in the world.

According to the statistics published by the NDRC, in the first half of 2017, both production volume and import volume of natural gas of China recorded a year-on-year increase of over 10%, and the natural gas consumption increased by 15.2%, registering another double-digit growth since 2014. Driven by the stable and favourable macro-economy of China and the continuous implementation of environmental policies and natural gas policies such as the replacement of coal with natural gas, the apparent consumption of natural gas in China in the first half of 2017 reached 114.6 billion cubic meters, representing a year-on-year growth of 15.2%.

In order to facilitate the development of natural gas industry, in May 2017, the NDRC and the National Energy Administration formulated the Medium and Long-term Plan for Development of Oil and Gas Pipeline Network (the "Plan") which stated that the major pipeline network of natural gas shall reach 104,000 kilometers by 2020, representing an increase of 60% as compared to the current level, and the proportion of natural gas consumption in the total consumption of primary energy shall reach 12% by 2025. Such plan is the PRC's first plan for systematic development of oil and gas pipeline network formulated on a national level. Such plan makes a comprehensive strategic blueprint for the development of the PRC's oil and gas pipeline network for the next ten years and provides outlook for a long-term period, which is an important guideline for facilitating the construction of oil and gas pipeline network and plays a significant role from both practical and strategic standpoints. In June 2017, thirteen governmental departments, ministries and commissions, including the NDRC, published the Opinion on Facilitating the Utilization of Natural Gas (the "Opinion"), which stated that natural gas shall become one of the major energy sources under the PRC's modern clean energy system, and reiterated the objective that the proportion of natural gas in the total consumption of primary energy shall reach 10% and 15% by 2020 and 2030, respectively. The Opinion also proposed various supporting measures such as improving the natural gas pricing mechanism and natural gas market system and strengthening the fiscal, investment and financing policies. As such, the PRC is in a critical period for natural gas marketization reform, the expansion of utilization of natural gas is imperative, and natural gas will gradually become a major energy of the PRC.

## (2) Wastewater Treatment Industry

In recent years, with the continuous industrialization and urbanization in the PRC, the problems of shortage of water resources and pollution of water environment are becoming more severe. Therefore, wastewater treatment has gradually become an important measure for water resources protection.

The NDRC and the Ministry of Housing and Urban-Rural Development published the Construction Plan of Urban Wastewater Treatment and Recycling Facilities in the PRC During the 13th Five-Year Period (《「十三五」全國城鎮污水處理及再生利用設施建設規劃》) (the "Plan"), which proposed to increase the efforts in constructing the urban wastewater treatment facilities and enhance the PRC's wastewater treatment ratio. It also proposed to further carry out coordination and planning, ensure reasonable distribution and increase relevant

## REPORT OF THE BOARD OF DIRECTORS

investment during the “13th Five-Year” period, achieve transition from “scaling up” to “improving quality and efficiency”, from “wastewater taking priority over sludge” to “giving equal weight to wastewater and sludge”, and from “sewage treatment” to “recycling”, and comprehensively enhance the protection ability and service quality of the PRC’s urban wastewater treatment facilities. It required that the urban wastewater treatment ratio shall be enhanced from 91.9% in 2015 to 95%, the capacity of newly constructed wastewater treatment facilities shall reach 50.22 million cubic meters per day, and the capacity of renovated facilities shall reach 42.20 million cubic meters per day. According to the Plan, during the “13th Five-Year” period, the PRC’s urban wastewater treatment capacity will increase from 217 million cubic meters per day to 268 million cubic meters per day, and the investment required for new wastewater treatment facilities will reach RMB150.6 billion.

Meanwhile, the PRC launched a series of environmental policies such as the formulation of PPP related legislation and the measure of PPP asset securitization to enhance the participation efficiency of the government, fully attract the participation of private capital and facilitate the healthy development of wastewater treatment industry, which demonstrated the government’s determination and attitude in respect of the water environment protection and control and the investment operation of water treatment market. According to the outline of 13th Five-Year Plan and other relevant documents, wastewater treatment industry, which is closely related to the ecological environment quality, will be further developed.

### (3) *Urban Transportation Industry*

Taxi is an integral part of the comprehensive urban transportation system and the supplement to urban public transportation which provides personalized transportation service to the public. Taxi service can be categorized into two types, namely regular taxi service and online car hailing service. Currently, China has become the largest car hailing service market in the world. While the development of such services has brought positive effect to the society, it also caused various problems. The Provisional Administrative Measures on Operation of Online Taxi Hailing Services (《網絡預約出租汽車經營服務管理暫行辦法》) jointly published by seven governmental departments, ministries and commissions (including the Ministry of Transport and the Ministry of Industry and Information Technology) in July 2016 has been in effect for one year. According to the information from the Ministry of Transport, as of July 26, 2017, other than municipalities directly under the central government, 24 provinces including Henan, Guangdong and Jiangsu issued the implementation opinions on management of online car hailing service, 133 cities including Beijing, Shanghai and Tianjin published the detailed implementation rules of taxi industry reform, and 86 cities completed or were in the process of public consultation. With the implementation of policies related to online car hailing service, strengthening of regulation was the essence of the new policies related to online car hailing service. The competent transportation authorities began to regulate the online car hailing services without proper filing and registration. Meanwhile, based on the large platform of internet economy, the policies encouraged the compliant enterprises to play a leading role in maintaining the orderly operation in the market and facilitating self-discipline in the industry so as to eliminate the adverse factors and enhance the industry level, thereby benefiting the improvement of competitive environment of taxi industry and the healthy and sustainable development of taxi industry.

## REPORT OF THE BOARD OF DIRECTORS

### (4) *Infrastructure Investment and Operation Industry*

With the further development of urban transportation in the PRC, in order to improve the problem of traffic congestion in large cities, the demand for construction of cross-river tunnels, bridges and roads continuously increases, which leads to the rapid increase in construction investment as well as the number of completed tunnel projects. As such, higher management standard is required for infrastructure investment and operation. The National Development and Reform Commission, Ministry of Finance and other relevant departments have been actively promoting the model of PPP, which creates larger space for future development of the infrastructure investment and operation business.

The Report on the Work of the Government (2017) proposed to further implement the PPP model and improve the preferential policies related to pricing and taxation, and the government shall take the leading role in promoting the honest practices and shall not change the agreements without proper cause and abandon the policies made by predecessors. The utilization of PPP model was considered as one of the important tasks of the government for the third consecutive year. The government attached great importance to the PPP model, which was evidenced by the continuously increasing efforts from actively promoting the PPP model to improving the PPP model and further to in-depth implementation of the PPP model. In 2017, the improvement of relevant preferential policies and the further promotion of the concept of “valuing the fulfillment of contracts” at both governmental and social level will create more favourable conditions for the expansion of utilization of PPP model. In addition, the “Rules on Private Investment in Infrastructure and Public Service Projects” was included in the 2017 Legislative Work Plan of State Council as “the legal project urgently required for comprehensive in-depth reform”. The formulation and launch of PPP rules as the direction laws and regulations at higher level will provide powerful legal support to the private investment in PPP projects and ease the concerns of private sector, thereby attracting more private capital to participate in and accelerate the implementation of PPP projects.

## 2. **Financial Investment Industry**

### (1) *Financial Service Industry*

Finance leasing is an important supplement to traditional banking facilities and debt financing, and has become an effective link between real economy and financial industry due to its function of capital raising and asset leasing. The continuous economic growth, increasing fixed assets and financing difficulties for SMEs create a favorable external environment for the rapid development of finance leasing industry. The size of fixed asset investment in China increased from RMB37.47 trillion to RMB60.65 trillion during the past five years. The increase in investment over the years continuously drove the development of finance leasing industry to new heights. In respect of the policies, the launch of directional policies such as the “13th Five-Year Plan”, “supply side reform”, “One Belt, One Road” and “Made in China 2025” brought a historic opportunity for the development of finance leasing industry.

## REPORT OF THE BOARD OF DIRECTORS

The “13th Five-Year Plan” required the acceleration of financial system reform and enhancement of efficiency of financial industry serving real economy. Finance leasing industry received great attention due to its function of linking the financial service with real economy. The “Plan” required the establishment of a multilayer and differentiated institutional system with wide coverage to expand the size of private investment. In addition, the “Plan” also required the development of inclusive finance and the improvement of services for SMEs and rural areas in order to achieve precise poverty alleviation by financial industry. With the characteristics of easy procedures, properly loosened credit requirement and simple business process, finance leasing is suitable for the development of SMEs and rural areas. The “Plan” also required the deepening of financial reform and expansion of financing channel, which posed requirements for finance leasing enterprises in respect of expansion of financing channel. As such, the “13th Five-Year Plan” provided a favorable environment for the development of finance leasing industry for the next five years.

Since 2016, China began to strengthen the regulation in license compliance, reserve fund, anti-money laundering and real-name registration system, and established a comprehensive market access system and strict regulatory system. Despite the short-term impact on the third party mobile payment market caused by strengthened regulation in China, the strengthening of regulation is beneficial on the whole as it will facilitate the industry consolidation and exploration of new revenue model in the industry for a long term.

According to relevant statistics, the size of third party mobile payment market in China recorded explosive growth from RMB0.11 trillion in 2011 to RMB38.6 trillion in 2016. The size of third party mobile payment market has reached RMB18.8 trillion in only the first quarter of 2017. The level of development of mobile payment varies from different countries in the world. Mobile payment gets less attention in developed countries due to their consuming habit and the preference of offline payment, while in developing countries, mobile payment is growing rapidly. China is currently in a world leading position in mobile payment sector, it is the first country that uses paper bills, and may become the first cashless country as well.

Micro-credit companies support the SMEs and individual business owners in agricultural, industrial and commercial industries, which are seldom offered with traditional banking credit support, by providing convenient, flexible and quick financing and relevant services required for production operation and startup development at interest rates significantly lower than the private loans with high interests. The PRC’s micro-credit companies perform the basic function of inclusive financial system. Under strict risk control, micro-credit companies compete in the market with their unique advantages of flexibility, convenience and diversity. The integration of mobile internet and financial capital is reforming the PRC’s financial ecosystem including micro-credit companies. The application of mobile internet technology based on big data and cloud computing in micro-credit industry directly facilitated the transformation and upgrade of intelligent credit service. With the increasing support of internet technology on the development of inclusive finance, the market of micro-credit industry will further expand.

## REPORT OF THE BOARD OF DIRECTORS

### (2) *Venture Capital Industry*

In recent years, under the background of “Mass Entrepreneurship and Innovation”, the PRC’s equity investment market experienced profound changes. Currently, the total fund under management of Venture Capital (“VC”) or private equity (“PE”) institutions in China exceeds RMB7 trillion, and there are over 10,000 fund managers with registration in the Asset Management Association of China. VC/PE institutions become more matured through years of operation and growth, the market competition is also becoming more intense and develops certain new characteristics.

In respect of external environment, the regulatory authorities continuously issued policies and regulations related to equity investment industry in order to increase the efforts in optimizing the environment of capital market, meanwhile constructing a sustainable ecosystem of private equity fund based on the PRC’s actual conditions. The Report on the Work of the Government (2017) specifically proposed to develop a multilayer capital market, increase efforts in development of equity financing, improve the fundamental system of the main board market, and actively develop the ChiNext and the National Equities Exchange and Quotation as well as regional equity markets in compliance with relevant laws and regulations, which reflects that the government is creating favorable conditions for the healthy and orderly development of equity investment market.

In addition, the orderly and steady implementation of supply side structural reform, real economy transformation and upgrade, reform of state-owned enterprises and assets, promotion of PPP project and other supporting policies have brought various opportunities to equity investment industry.

For development of equity investment market, VC/PE institutions changed from the traditional “single strategy” approach to the new “mixed strategies” approach in response to the market trend, meanwhile putting more emphasis on the layout in the whole industry chain by various ways such as early intervention through establishment of incubators/accelerators and provision of connecting resources to enterprises. They also actively participated in merger and acquisition and private placement in the downstream of the industry chain and even the secondary market. In general, the current market environment poses both opportunities and challenges to the equity investment market.

## II. SIGNIFICANT CHANGES OF THE COMPANY’S MAJOR ASSETS DURING THE REPORTING PERIOD

Not Applicable

## III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, there was no material change in the Company’s core competitiveness. Please refer to 2016 Annual Report for details.



## REPORT OF THE BOARD OF DIRECTORS

### IV. DISCUSSION AND ANALYSIS OF OPERATION

2017 is the first year for the Company becoming an A+H listed company. The Company closely focused on the development strategy of “simultaneous development of public utility and financial investment” to actively utilize its respective advantages arising from listing in mainland China and Hong Kong. With focus on the working targets and plans formulated at the beginning of the year, the Company continued to enhance project reserves for our principal business, public utility business, actively explored the banking institution cooperation model, expanded the layout of foreign operations and other major activities. During the Reporting Period, the Company recorded a total revenue of RMB2,480 million, which is almost the same as the corresponding period of last year. The Company recorded net profit attributable to shareholders of listed Company of RMB203 million, representing a decrease compared with the corresponding period of the last year. The primary reason for the decrease in the net profit is the continued appreciation of RMB this year, resulting in the Company’s loss on foreign exchange arising from the translation of capital (dominated in HK dollars) as at the end of the period raised by the issuance of H shares last year, and that direct investment projects were withdrawn intensively from certain venture capital platforms last year and that there is no such case this year. The profitability of the Company’s public utilities segment maintained a better growth, in particular, the profit of the gas segment recorded the highest level in history.

1. Dazhong Transportation Group, a significant associate of the Company, further streamlined integration of the industrial chain of the transportation industry under the implementation of new industrial policies. The services and products were closer in line with transportation market demand during the Internet era, promoting iteration and upgrade of the industry. Dazhong Transportation Group launched investigation of informatization strategies and plans and promoted the implementation of the “+ Internet” strategy to serve for the digital transformation of the relevant industry.
2. The principal business in gas sector recorded a significant growth. In the first half of the year, with focus on “ensuring safety, seeking development, striving for economic benefits and facilitating the management”, Dazhong Gas efficiently facilitated the production safety, market expansion, revenue increase, cost reduction, technology management and other tasks, with steady and controllable production and supply. The construction of major ancillary projects proceeded as schedule, along with steadily declining difference between production and sale of natural gas. The overall operating results achieved the highest annual level in history. Dazhong Gas became one of the first pilot enterprises for “cost regulation”. Nantong Dazhong Gas Co., Ltd.\* (南通大眾燃氣有限公司) brought together the development efforts to expand the gas market, and its operating results also recorded the best level in history. Through acquisition of Kunshan Anda Natural Gas Development Co., Ltd.\* (昆山安達天然氣發展有限公司) as well as establishment of a joint venture with Changshu Urban Investment\* (常熟市城投), Suchuang Gas expanded its business coverage to other areas outside of Kunshan, Changshu and Taicang. As of now, the Company is still the second largest shareholder of Suchuang Gas.
3. Projects in environment and municipal infrastructure sector operated smoothly. Jiading sewage plant recorded stable operation throughout the first half of the year. Phase I and II of the plant successfully completed renovation work and construction of sludge dehydration project and commenced commissioning. According to the requirements of the Ministry of Environmental Protection, the Class IA+ renovation work in respect of standard enhancement of the whole plant was actively pushed forward. Jiangsu Dazhong Water Group Co., Ltd.\* (江蘇大眾水務集團有限公司) further enhanced management

\* For identification purposes only

## REPORT OF THE BOARD OF DIRECTORS

over meeting the lifeline discharging standard and optimized its management standard and assessment system in the first half of the year. It also actively reduced the cost, strengthened internal control, carried out team building activities and built its corporate culture. Xiangyin Road tunnel project operated with high efficiency and recorded stable concession income.

4. In respect of financial investment sector, in the first half of 2017, the Company joined the partnership of Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership)\* (上海華璨股權投資基金合夥企業(有限合夥)) through receiving a contribution and making a monetary contribution. The outbound investment project of the Fund focused on reform of mixed ownership for the state-owned enterprises, sophisticated new materials, Internet technology and other fields. In the first half of the year, investment on large projects was completed. Dazhong Financial Leasing further explored "quality enterprises", revitalized the stock asset of the Group, actively promoted the access to central bank credit reference system and dynamically adjusted key business areas. Shanghai Minhang Dazhong Micro-credit Co., Ltd.\* (上海閔行大眾小額貸款股份有限公司) adhered to the operation principle of "strictly controlling risks and seeking progress while maintaining stability", actively established an effective risk control system to achieve innovation of business models. Dazhong Business Card Company actively promoted third-party payment institution rating, certification of system technology, the launch of provisions checking system, revision of the website of the Company and transformation of the shopping mall with bonus credit. The transformation development achieved preliminary results, clarifying the future development direction. The venture capital platforms and direct investment projects by way of investment and equity investment of the Company recorded good operation in the first half of the year. The Company actively implemented post-investment on the projects and explored various exiting channels to reduce investment risks on the invested projects.
5. We strengthened the construction of internal control system to regulate operation of the Company. With great attention of the management of the Company, the Company efficiently explored the construction of internal control system in the first half of the year, thoroughly implemented the internal control system and promoted the establishment of a systemic, regulative and highly efficient internal control and management mechanism. While pursuing the rapid business development, we also put emphasis on risk prevention and internal control construction.
6. We steadily pushed forward informatized construction to enhance operation management efficiency of the Company. With the informatized construction target of "a large group, integration" of the Company, we followed the Company's development strategies as the guidance and fully implemented the informatized construction of the Company and its subsidiaries. In the first half of the year, the informatization management methods of the Company were fully strengthened with significant progresses in management effect, management efficiency, management method as well as management and control models, laying a solid foundation for the rapid future development of the Company.
7. We strengthened safety awareness and enhanced safe management level. The Company attached great emphasis on safe production and strictly enhanced the sense of responsibilities and safety awareness. According to the requirements of safety and production management of the Company, the Company entered into 2017 Safe Production Responsibility Document with its subsidiary in the first half of the year. While carrying out self-checks and self-rectification on safe production of enterprises within the Company's system, we supervised rectification of problems identified in a timely manner.

## REPORT OF THE BOARD OF DIRECTORS

## (I) Analysis on principal businesses

## 1 Analysis of changes in related items of financial statements

Unit: RMB'000

Item	Amount for the period	Amount for the corresponding period of the previous year	Percentage change (%)
Operating Revenue	2,480,420	2,544,025	-2.50
Operating cost	2,035,448	2,149,361	-5.25
Selling expenses	79,997	72,792	9.90
Administrative expenses	185,131	143,967	28.59
Finance expenses	94,936	83,304	13.96
Net cash flows generated from operating activities	445,482	462,076	-3.59
Net cash flows generated from investing activities	-1,508,412	-636,556	114.04
Net cash flows generated from financing activities	951,297	564,028	74.42

Reason for changes in finance expenses: Increase in borrowing and short-term bonds interests during the period.

Reason for changes in net cash flows generated from investing activities: New investment in Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership)\* (上海華璨股權投資基金合夥企業(有限合夥)) during the current period

Reason for changes in net cash flows generated from financing activities: Increase in short-term bank borrowings and short term bonds during the current period

# 2017

DaZhong Public Utilities

大众公用

## REPORT OF THE BOARD OF DIRECTORS

Unit: RMB'000

By industry	Revenue	Cost of sales	Gross profit margin (%)	Main businesses by industry		
				Increase/ (decrease) in revenue as compared to the previous year (%)	Increase/ (decrease) in cost of sales as compared to the previous year (%)	Increase/(decrease) in gross profit margin as compared to the previous year (%)
(1) Piped gas Supply	2,325,918	1,993,326	14.30	-2.23	-5.19	Increased by 3.74 percentage point
(2) Wastewaters treatment	80,562	35,710	55.67	-14.36	-8.68	Decreased by 6.87 percentage point
(3) Financial Services	48,262	400	99.17	14.23	-13.81	Decreased by 2.61 percentage point
(4) Revenue from municipal tunnel operation	25,678	6,012	76.59	-10.49	-4.22	Decreased by 2.43 percentage point
Total	2,480,420	2,035,448	17.90	-2.50	-5.25	Increased by 2.43 percentage point

### 2. Main businesses by geographical locations

Unit: RMB'000

Regions	Revenue	Increase/ (decrease) in revenue as compared to the previous year (%)
Shanghai	2,082,980	-4.26
Nantong	375,117	6.52
Xuzhou	22,323	-22.69
Total	2,480,420	-2.50

## REPORT OF THE BOARD OF DIRECTORS

## (II) Analysis on assets and liabilities

## 1. Assets and liabilities

Unit: RMB'000

Item	Balance at the end of the current period	Percentage of total assets at the end of the current period (%)	Balance as the end of the previous period	Percentage of total assets at the end of the previous period (%)	Change at the end of the current period compared to the previous period (%)	Explanation
Available-for-sale financial assets (Non-current assets)	1,191,441	6.46	791,989	0.05	50.44	Increase in investment in financial assets of Dazhong Hong Kong
Non-current liabilities due within one year	2,286,392	12.40	652,431	3.76	250.44	Transfer in of corporate bonds due within one year
Bonds payable (non-current liabilities)	-	-	1,595,052	9.19	-100.00	Transfer out corporate bonds due within one year

## 2. Restriction of major assets as of the end of the Reporting Period

Dazhong Hong Kong, a subsidiary of the Company, pledged its time deposit amounted to RMB420,921,121.71. As of June 30, 2017, balance of foreign currency borrowings amounted to RMB408,453,047.57.

## REPORT OF THE BOARD OF DIRECTORS

## (III) Investment Analysis

## 1. Overall Analysis of External Equity Investment

## (1) Material Equity Investment

Name of major investee	Principal activities	Total shareholding in investee at the end of the Reporting Period (%)	Investment amount during the Reporting Period
1. A segregated portfolio of New China Innovation Fund (新華創新基金)	Investment management	100	USD30,000,000
2. Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership) (上海華燦股權投資基金合夥企業(有限合夥))	Investment management	60.24	RMB500,000,000
3. 15% equity interest in Dazhong Financial Leasing	Financial leasing	80	RMB75,000,000
4. Suchuang Gas	Gas supply	19.75	HK\$17,199,600
5. Infini Capital L.P.	Public utilities projects	100	HK\$232,560,000

1. Dazhong Hong Kong, a wholly-owned subsidiary of the Company, invested in a segregated portfolio of New China Innovation Fund (新華創新基金) with an investment amount of USD30 million. The Resolution of Shanghai Dazhong Public Utilities (Group) Co., Ltd. on Investment in A Segregated Portfolio of New China Innovation Fund by Dazhong Hong Kong, the wholly-owned subsidiary, was considered and approved by the Chairman and the general manager in a work meeting on January 19, 2017. The Company authorized the board of directors of Dazhong Hong Kong to be responsible for particular investment and financing matters.

## REPORT OF THE BOARD OF DIRECTORS

2. On March 10, 2017, the Company, Shanghai Hualin Equity Investment Management Centre (上海華麟股權投資管理中心), Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司), Dongfang Guoji Group Shanghai Investment Co., Ltd. (東方國際集團上海投資有限公司) and Shanghai Huayi Group Investment Ltd., (上海華誼集團投資有限公司) entered into the Shares Transfer and Partnership Admission Agreement and the Partnership Agreement in Shanghai. The Company has joined the partnership of a Fund called Hua Can Fund (華璨基金) and became the new limited partner of the Fund through receiving a contribution of RMB90 million and making a monetary contribution of RMB910 million. Currently, having completed its business registration, the Hua Can Fund (華璨基金) raised a total of RMB830 million in the first phase and the actual capital secured amounted to RMB830 million. The Company has contributed RMB500 million, representing a 60.24% interest in the initial capitalization.
3. On March 30, 2017, the Company and Dazhong Transportation Group entered into the Shanghai Property Transaction Contract in Shanghai, pursuant to which, the Company acquired the 15% equity interest in Dazhong Financial Leasing held by Dazhong Transportation Group. According to the asset valuation report with the base date of February 28, 2017 issued by Shanghai Zhonghua Assets Appraisal Company Limited (上海眾華資產評估有限公司), the acquisition consideration was RMB75,000,000.
4. As of March 30, 2017, Dazhong Hong Kong, a wholly-owned subsidiary of the Company, increased its accumulated holding of 7,818,000 shares in Suchuang Gas at an average price of approximately HK\$2.2 per share in an aggregate amount of approximately HK\$17,199,600. The Company, through its wholly-owned subsidiary, Dazhong Hong Kong, held 178,352,000 shares in Suchuang Gas in aggregate, representing a shareholding of 19.75%, and was still the second largest shareholder of Suchuang Gas.
5. Dazhong Hong Kong, a wholly-owned subsidiary of the Company, invested in the segregated portfolio of Infini Capital L.P. with an amount of HK\$232.56 million. The fund is principally engaged in public utilities projects. The Company approved the investment proposal in the board and management meeting held on June 13, 2017. The Company authorized the board of Dazhong Hong Kong to be in charge of the specific matter for investment and financing.

(2) *Financial Assets at Fair Value*

Unit: RMB'000

Item	Closing balance	Opening balance
Held-for-trading financial assets	62,588	74,103
Including: Bond Instruments Investment	1,736	1,562
Equity instrument investment	60,852	72,541
Total	62,588	74,103

## REPORT OF THE BOARD OF DIRECTORS

**(IV) Material Disposal of Assets and Equity**

Not Applicable

**(V) Analysis of Major Controlling Companies and Participating Companies**

Name of Company	Registered capital	Scope of business	Total assets	Net assets	Total revenue	Net profit
Dazhong Transportation Group	2,364,122,864.00	Modern logistic and transportation	15,510,865,817.53	9,606,390,889.63	1,246,534,018.79	300,089,513.07
Shenzhen Capital Group Co., Ltd.	4,202,249,520.00	Venture investment organization	22,984,831,402.58	11,779,153,430.67	282,576,004.00	706,740,560.79
Dazhong Gas	800,000,000.00	Supply of gas	4,567,369,736.08	1,223,922,467.78	1,961,242,494.05	125,422,468.00

**(VI) POTENTIAL RISKS**

## 1. Risk of pricing policies

City gas, wastewater treatment, urban transportation and infrastructure investment and operation are within public utility sector with focus on both economic benefits and social welfare. The development and profit level of these businesses are subject to certain policy risks. The governments pricing model and pricing mechanism for gas price, wastewater treatment price and city taxi transportation price may affect the profitability of the Company.

## 2. Risk of changes in environmental protection policies

Wastewater treatment operations of the Company are subject to the requirements under various laws and regulations, including the Environmental Protection Law (《環境保護法》), the Law of the PRC on Appraising Environment Impact (《中國環境影響評價法》) and the Law on the Prevention and Control of Water Pollution (《水污染防治法》). In recent years, the State continued to increase the efforts in enforcement of environmental protection policies and formulated the urban pollutant discharge standard. The State strengthened environmental governance and introduced stricted requirements on environmental management of issuers. Production operation of issuers will experience certain pressure if adjustments on technology standard of the issuers' relevant industries are conducted due to the changes in national environmental protection policies.

## 3. Risk of changes in tax policies

Currently, the State significantly promoted environmental protection and governance and inclined to the environmental protection industry and related enterprises through tax policies in respect of taxation. Pursuant to a notice concerning the "Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax" (Cai Shui [2015] (No. 78)) (《資源綜合利用產品和勞務增值稅優惠目錄》的通知) (財稅[2015](78號)) jointly issued by the Ministry of Finance and the State Administration of Taxation, since July 1, 2015, the sewage treatment industry shall enjoy the policy for claiming VAT refunds immediately after payment. The above taxation policy may be gradually weakened or cancelled, leading to squeezed margins of the Company.



## REPORT OF THE BOARD OF DIRECTORS

4. Risk of financial credit  
The Company's financial service business (including micro-credit and finance leasing) provides services to individual and corporate customers. If any individual and corporate customers are, subjectively or objectively, not able to perform their contractual obligations or responsibilities, the Company's operating results, financial position and profitability may be adversely affected.
5. Risk of financial investment policies  
The financial investment industry in China achieved rapid development recently, and the government offered significant support. According to the "Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment", the government shall implement favorable policies to encourage the private investment to participate in the financial service industry. Meanwhile, on the basis of risk prevention, various financial institutions innovate and flexibly adopt financial instruments to enlarge financing support for the private investment and strengthen financial services for the financial investment. However, with the continuous and mature development of the financial investment industry, the favorable policies may be weakened or suspended, creating uncertain risks on revenue from financial investment segment of the Company.
6. Risk of human resources  
The Company has formed an established business model and management system, nurtured a team of quality business officials and core staff and continued to attract talents. In the course of rapid development, the industrial chain continued to extend. With constant expansion of the scale and scope of business, better human resources and capabilities in related management are required, bringing certain impacts on the long-term development of the Company.

### V. PROFIT DISTRIBUTION PLAN OR RESERVE-TO-EQUITY TRANSFER PLAN

#### 1. Details of the implementation or adjustment of the profit distribution plan during the Reporting Period

The profits distribution plan of the Company for the year ended December 31, 2016 has been considered and approved by the Shareholders at the 2016 AGM. The Company distributed a final cash dividend of RMB0.60 for every 10 Shares (tax inclusive) to the Shareholders (the "Final Dividend"). The Final Dividend is denominated and declared in Renminbi, and is payable to H Shareholders in Hong Kong dollars. The relevant exchange rate is determined at RMB0.882428 equivalent to HK\$1.00 as the average of the mid-point of the exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China during five working days prior to the date of announcement of the Final Dividend (i.e. the date of the 2016 AGM). Accordingly, the Final Dividend to the H Shareholders is HK\$0.679942 for every 10 Shares (tax inclusive).

On July 25, 2017, the distribution of the above Final Dividend was completed.

#### 2. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period

The Company proposed not to distribute cash dividends, issue bonus shares or transfer reserve to share capital for the Reporting Period.

## REPORT OF THE BOARD OF DIRECTORS

### VI. PURCHASE, SALE AND REDEMPTION OF SHARES

On January 9, 2017, the Company completed the public offering of 54,703,000 additional H Shares (comprising 49,730,000 new H Shares issued and allotted by the Company and 4,973,000 H Shares sold by the Selling Shareholders) due to the partial exercise of the over-allotment options at the issue price of HK\$3.60 per H Share.

Pursuant to an approval by the National Association of Financial Market Institutional Investors, the Company issued the first tranche of the ultra-short-term notes on September 23, 2016, with a total principal amount of RMB300 million at an interest rate of 2.90% per annum. The notes have a term of 270 days and will mature on June 20, 2017. The issue price of the ultra-short-term notes is RMB100 per RMB100 face value.

Save as disclosed in this interim report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### VII. EMPLOYEES AND REMUNERATION POLICIES

The Directors and Supervisors receive compensation in the form of fees, salaries, allowances and benefits-in-kind and retirement benefit plans contributions. The remuneration of the Directors and Supervisors is determined with reference to the performance of the Company and is based on annual audited financial statements. The remuneration of some of the Directors, who are the directors or general managers of the Company's subsidiaries, is also determined with reference to the annual performance appraisal target (task) book (年度绩效考核目标(任务)书) signed between those Directors and the Company. The Remuneration and Appraisal Committee of the Company is responsible for reviewing and examining the remuneration policies and plans of the Directors, president and other senior management of the Company from time to time.

Developing and maintaining a team of capable and motivated managerial, technical and other employees is critical to the Group's success. Compensation for the Group's employees includes basic wages, bonuses and other staff benefits. The Group also provides social insurance and other benefits to its employees, such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing and personal accident insurance pursuant to PRC labor law and relevant requirements of the national and local governments. Basic pension insurance, basic medical insurance, unemployment insurance and housing funds are contributed by the Group and the employees at a certain proportion in accordance with the relevant local requirements. The work injury insurance and maternity insurance are generally paid by the Group. The Group reviews the performance of its employees annually, the results of which are applied in his or her annual salary review and promotion appraisal. We also provide on-the-job training to our employees from time to time.

As at June 30, 2017, the Group has 2,142 employees. The Group's employee expenses was RMB212.5 million for the Reporting Period.

### VIII. REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Wang Hongxiang, Mr. Yao Cho Fai Andrew and Mr. Chow Siu Lui. The chairman of the Audit Committee is Mr. Wang Hongxiang. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period.

## SIGNIFICANT EVENTS

## I. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of the resolution	Date of disclosure of the publication of resolution
2016 AGM	May 25, 2017	The Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	May 26, 2017
2017 first extraordinary general meeting	July 14, 2017	The Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	July 15, 2017

## Information on the general meeting

- Attendance of shareholders in the 2016 AGM and the respective numbers of shares are as follows:

Attendance of shareholders and the respective numbers of shares	A Shares	H Shares	Total
Number of shareholder and proxy attending the meeting	41	1	42
Number of shares carrying voting rights held by the shareholders attending the meeting (Share)	659,207,172	31,544,000	690,751,172
Percentage of the shares carrying voting rights held by the shareholders attending the meeting among the total number of shares carrying voting rights of the Company (%)	22.3276	1.0684	23.3960

The meeting considered and approved resolutions including the Work Report of the Board of Directors for the Year 2016, the Work Report of the Supervisory Committee for the Year 2016, the Work Report of the General Manager for the Year 2016, the Final Financial Report for the Year 2016 and the Financial Budget Report for the Year 2017, the Profit Distribution Plan for the Year 2016, Resolution on Ordinary Related Party Transactions of the Company for the Year 2017, Resolutions on the Application of Credit Facilities of the Company and the Provision of Guarantees for External Financing of Controlling Subsidiary by the Company, Election of Executive Directors of the Tenth session of the Board of the Company, Election of Non-executive Directors of the Tenth session of the Board of the Company, Election of Independent Non-executive Directors of the Tenth session of the Board of the Company, Election of members of the Tenth session of the Supervisory Committee of the Company, Resolution on the Re-appointment of the Domestic Audit Firm and Internal Control Audit Firm for the Company for the Year 2017, Resolution on the Appointment of the Overseas Audit Firm for the Company for the Year 2017, Resolution on the Amendments on the Articles of Association and Change on Industrial and Commercial Registration, and listened to the Work Report of Independent Directors for the Year 2016. The general meeting was witnessed by lawyers of Jin Mao PRC lawyers (金茂凱德律師事務所) in person and documents with legal opinions were delivered. The legal opinions were that the meeting was lawful and valid.

## SIGNIFICANT EVENTS

2. Attendance of shareholders in the 2017 first extraordinary general meeting and their numbers of shares are as follows:

Attendance of shareholders and the respective numbers of shares	A Shares	H Shares	Total
Number of shareholder and proxy attending the meeting	35	1	36
Number of shares carrying voting rights held by the shareholders attending the meeting (share)	663,474,549	31,544,000	695,018,549
Percentage of the shares carrying voting rights held by the shareholders attending the meeting among the total number of shares carrying voting rights of the Company (%)	22.4721	1.0684	23.5405

The meeting considered and approved proposals including the Proposal on the Non-public Issue of the Convertible Corporate Bonds and the Proposal on the Issuance of Onshore and Offshore Debt Financing Instruments. The meeting was witnessed by lawyers of Jin Mao PRC lawyers (金茂凱德律師事務所) in person and documents with legal opinions were delivered. The legal opinions were that the meeting was lawful and valid.

## II. PERFORMANCE OF UNDERTAKINGS

### Undertakings of the de facto controller of the Company, shareholders, related parties, Acquirer and the Company during or subsisting to the Reporting Period

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Date and term of the undertaking	Whether there is a term for performance of the undertaking	Whether performed timely and strictly	If not described the specific reasons	If not perform timely, described plans in next steps
Undertaking made in acquisition report or report on changes in equity	Others	The Company and its parties acting in concert	In the coming 12 months, Dazhong Utility and its parties acting in concert propose to increase their shareholdings in A shares or B shares of Dazhong Transportation Group, with an increment of not less than 5,000,000 shares but not more than 100,000,000 shares. Prices for acquisition: not more than RMB9/share for A shares; not more than USD1/share for B shares.	December 26, 2016, 12 months	Yes	Yes	No	No

## SIGNIFICANT EVENTS

**III. THE APPOINTMENT AND DISMISSAL OF ACCOUNTANTS**

On May 25, 2017, the 2016 annual general meeting of the Company considered and approved Resolution on the Re-appointment of the Domestic Audit Firm and Internal Control Audit Firm for the Company for the Year 2017, Resolution on the Appointment of the Overseas Audit Firm for the Company for the Year 2017. The meeting agreed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the domestic audit firm and internal control audit firm for the Company in 2017 and BDO Limited as the overseas audit firm for the Company in 2017.

**IV. MATTERS RELATING TO BANKRUPTCY AND REORGANIZATION**

Not Applicable

**V. MATERIAL LITIGATION AND ARBITRATION**

The Company was not involved in any material litigation or arbitration in the Reporting Period.

**VI. PUNISHMENT AND RECTIFICATION AGAINST LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER AND BUYER**

Not applicable.

**VII. DESCRIPTION OF THE REPUTATION OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER DURING THE REPORTING PERIOD**

During the Reporting Period, there was no outstanding significant claim amount unsettled by the Company and its controlling shareholders and de facto controllers which was ordered by the court to pay.

**VIII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF**

Not applicable.

**IX. MATERIAL RELATED PARTY TRANSACTIONS****(I) Related party transaction related to day-to-day operation****1. Matters that have been disclosed in temporary announcements and have no developments or changes in subsequent implementation**

Not Applicable

**2. Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation**

Description of matter	Index for enquiry
Dazhong Gas, subsidiary of the Company, acquired natural gas business from Shanghai Gas Group, the second largest shareholder of the Company, being a normal production and operation need.	Temporary 2017-013
Due to office operation needs, the Company leased office space from Shanghai Dazhong Building Co., Ltd. (上海大眾大廈有限責任公司) ("Dazhong Building").	Temporary 2017-013

## SIGNIFICANT EVENTS

3. *Matters that have been not disclosed in temporary announcements*

Not Applicable

(II) **Related party transactions relating to the acquisition of assets and acquisition and disposal of equity***Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation*

Description of matter	Index for enquiry
On March 30, 2017, the Company and Dazhong Transportation Group entered into the Shanghai Property Transaction Contract in Shanghai, pursuant to which, the Company acquired the 15% equity interest in Dazhong Financial Leasing held by Dazhong Transportation Group. According to the asset valuation report with the base date of February 28, 2017 issued by Shanghai Zhonghua Assets Appraisal Company Limited (上海眾華資產評估有限公司), the acquisition consideration was RMB75,000,000.	Temporary 2017-015
On May 25, 2017, Dazhong Financial Leasing, a controlling subsidiary of the Company, and Dazhong Jiading Sewage entered into the Title Transfer Agreement and After-sale Leaseback Contract in Shanghai, pursuant to which, Dazhong Financial Leasing provided financial leasing service of an aggregate amount of RMB300 million in two tranches for the transfer of sewage treatment equipment of Dazhong Jiading Sewage (with an amount of RMB150 million for each tranche) and Dazhong Jiading Sewage leased from Dazhong Financial Leasing and bore the obligations of payment of rent and other payables.	Temporary 2017-027

**X. CONTINUING CONNECTED TRANSACTION UNDER CHAPTER 14A OF THE HONG KONG LISTING RULES**

On May 25, 2017, Dazhong Jiading Sewage, an indirect wholly-owned subsidiary of the Company, and Dazhong Financial Leasing, a non-wholly owned subsidiary of the Company, entered into a title transfer agreement I, pursuant to which Dazhong Jiading Sewage agreed to sell certain asset ("Asset I") to Dazhong Financial Leasing at a consideration of RMB150,000,000 (equivalent to approximately HK\$168,000,000). On the same day, Dazhong Jiading Sewage and Dazhong Financial Leasing entered into a leaseback contract I, pursuant to which Dazhong Financial Leasing agreed to leaseback Asset I to Dazhong Jiading Sewage during the lease period. Upon expiry of the lease period and subject to full performance of its obligations by Dazhong Jiading Sewage under the Leaseback Contract I, Dazhong Financial Leasing shall transfer the title of Asset I back to Dazhong Jiading Sewage or any third party as designated by Dazhong Jiading Sewage at a nominal price of RMB100.

## SIGNIFICANT EVENTS

Dazhong Financial Leasing is a non-wholly owned subsidiary of the Company. It is also directly owned as to 10% by Shanghai Dazhong Business Management, the substantial Shareholder of the Company. According to Rule 14A.16 of the Hong Kong Listing Rules, Dazhong Financial Leasing is a connected subsidiary of the Company. Therefore, the Disposal I contemplated under the Title Transfer Agreement I constitute a connected transaction and the Leaseback I contemplated under Leaseback Contract I constitute a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

Dazhong Jiading Sewage and Dazhong Financial Leasing plan to conduct another after-sale leaseback transaction (“**After-Sale Leaseback II**”) with substantially the same terms and conditions as set out in the Title Transfer Agreement I and the Leaseback Contract I. Therefore according to Rule 14A.81 of the Hong Kong Listing Rules, the After-Sale Leaseback I is aggregated with the After-Sale Leaseback II. As all the applicable percentage ratios on an aggregated basis under Rule 14A.81 of the Hong Kong Listing Rules are more than 0.1% but are less than 5%, the After-Sale Leaseback I, together with the After-Sale Leaseback II are subject to the reporting and announcement requirements, but are exempt from the shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement issued by the Company dated May 26, 2017.

## XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

## 1 Guarantees

Unit: RMB

Guarantees given by the Company for its subsidiaries (excluding those provided to subsidiaries)													
Guarantor	Relationship between guarantor and Guarantee		Guaranteed amount	Actual effective date (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed?	Overdue?	Overdue amount	Counter Guarantee available?	The guarantee is given for any connected party?	Relationship
	Guarantor	Guarantee											
Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司)	The company	Xuzhou Fountainhead Sewage Co., Ltd. (徐州源泉污水處理有限公司)	1,850,000.00	2016/2/23	2016/3/3	2019/12/20	Suretyship of joint and several liability	No	No	0	No	Yes	Associated company
Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司)	The company	Pizhou Fountainhead Water Operation. Co., Ltd. (邳州源泉水務運營有限公司)	11,061,430.00	2016/3/23	2016/5/24	2020/6/20	Suretyship of joint and several liability	No	No	0	No	Yes	Associated company
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													12,911,430.00
Guarantees provided by the Company to subsidiaries													
Total guaranteed amount to subsidiaries during the Reporting Period													203,660,000
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)													700,997,163.31
Total guarantees (including guarantees to subsidiaries) provided by the Company													
Total guaranteed amount (A+B)													713,908,593.31
Total guaranteed amount as a percentage of the net asset value of the Company (%)													9.99
Of which:													
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)													0
Debt guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)													0
Total guaranteed amount in excess of 50% of net asset value (E)													0
Total guaranteed amount of the above three items (C+D+E)													0
Statement on the contingent joint liability in connection with unexpired guarantees													
Details of guarantees provided by the Company													

## SIGNIFICANT EVENTS

**2 Subscription of Interest in a Fund**

On March 10, 2017, the Company, Shanghai Hualin Equity Investment Management Centre (上海華麟股權投資管理中心), Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司), Dongfang Guoji Group Shanghai Investment Co., Ltd. (東方國際集團上海投資有限公司) and Shanghai Huayi Group Investment Ltd., (上海華誼集團投資有限公司) entered into the Shares Transfer and Partnership Admission Agreement and the Partnership Agreement in Shanghai. The Company has joined the partnership of a Fund called Hua Can Fund (華璨基金) and became the new limited partner of the Hua Can Fund (華璨基金) through receiving a contribution of RMB90 million and making a monetary contribution of RMB910 million. Currently, having completed its change of business registration, the Fund raised a total of RMB830 million in the first phase and the actual capital secured amounted to RMB830 million. The Company has contributed RMB500 million, representing a 60.24% interest in the initial capitalization. For details, please refer to the announcement issued by the Company on March 13, 2017.

**XII. INFORMATION ON CONVERTIBLE CORPORATE BONDS**

Not applicable.

**XIII. ENVIRONMENTAL PROTECTION OF COMPANIES AND SUBSIDIARIES CATEGORIZED AS KEY POLLUTANT DISCHARGING UNITS ANNOUNCED BY ENVIRONMENTAL PROTECTION AUTHORITIES**

Not Applicable.

**XIV. OTHER MAJOR EVENTS****(I) Compare with financial reports of last year, explanation for the change, reason and effect of accounting policy, accounting estimate and accounting method.**

In 2017, the Ministry of Finance revised ASBE 16 — Government grants of which the revised standard are applicable with effect from June 12, 2017. The standard requires enterprises to adopt prospective basis for government grants subsisting as at 1 January 2017. New government grants received during the period from 1 January 2017 to the date of implementation of the revised standard shall be adjusted in accordance with the revised standard. This revised standard applied to the PRC interim report preparing in accordance with the PRC GAAP.

There was no material impact to the 2017 interim report preparing in accordance with International Accounting Standards.

**(II) Explanation for major accounting errors correction and need to trace the restatement, the amount of correction, its reason and effect**

Not Applicable.

**XV. CORPORATE GOVERNANCE****BASIC INFORMATION ON CORPORATE GOVERNANCE**

As a dual-listed company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and regulations in the PRC and Shanghai Listing Rules during the Reporting Period. Since the Listing of the Company's H Shares on the Main Board of the Hong Kong Stock Exchange on December 5, 2016, the Company has also complied with the Hong Kong Listing Rules. The Company is committed to rigorous corporate governance and risk management.



## SIGNIFICANT EVENTS

### **I. Corporate Governance**

During the Reporting Period, the Company strictly followed the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Code of Corporate Governance and Corporate Governance Report under Appendix 14 of the Hong Kong Listing Rules and relevant laws and regulations promulgated by the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange as well as the requirements under the Articles of Association of the Company. The corporate governance structure was constantly optimized to enhance company operation. Currently, the Company has formed a governance mechanism of clear authorities and responsibilities, operation regulation, mutual coordination and balance between the authority body, decision-making body, supervisory body and the operation, to optimize the long-term effective system for the Company's development need. The decision-making rights of the shareholders' general meeting and the Board as well as the supervisory rights of the Supervisory Committee were effectively established to ensure the efficient implementation of operation management. The Company's corporate governance condition is in compliance with the requirements of relevant laws and regulations, and the interest of the Company and all the shareholders was solidly protected.

The general condition of the Company's corporate governance is as follows:

1. **Shareholder and General Meeting:** The Company convened and held general meetings in accordance with the requirements of the Articles of Association and the Rules of Procedure for General Meetings. During the Reporting Period, online voting was opened to shareholders to ensure that all shareholders, particularly minority shareholders, enjoy equal ranking and fully exercise their rights during the consideration of relevant resolutions in the general meetings. The convention and the resolution procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure the resolutions were lawful and valid. During the Reporting Period, there was no occurrence of any insider trade of information among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders or the Company.
2. **Relations between the Controlling Shareholders and the Company:** The Company stringently carried out independence between its personnel, assets, finance, organization and business from those of the controlling shareholder, with separate accounting systems and respective responsibilities and risks. The controlling shareholders exercised rights and assumed responsibilities as contributors of the Company in strict compliance with relevant provisions under the Company Law and the Articles of Association of the Company. There was no business competition between the controlling shareholders and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholders, no non-operation use of capital, and no request of being a guarantee for or by the controlling shareholders.
3. **Directors and the Board of Directors:** All directors made independent, objective and fair decisions on the resolutions brought to the Board of Directors for consideration with their professional knowledge and ability. They also exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. Independent directors could independently and objectively protect legal rights and interests of the Company and shareholders to provide checks and balances on the decision-making of the Board. When considering resolutions in relation to connected transactions, the connected shareholders abstained from voting in order to ensure that the connected transactions were fair and reasonable.

**SIGNIFICANT EVENTS**

4. Supervisors and the Supervisory Committee: All supervisors were in strict compliance with the Articles of Association, Rules of Procedure for the Supervisory Committee and the requirements under relevant laws and regulations. The supervisors earnestly performed their duties for the best interests of all shareholders with the spirit of being responsible to the shareholders, supervised the legality of the Company's financial position, daily connected transactions and performance of directors and senior management. All Supervisors of the Company could attend the meetings of the Supervisory Committee and sit in the meetings of the Board on time in accordance with relevant requirements and report to the general meetings as well as submit work reports of the Supervisory Committee.
5. Senior management of the Company: The appointment and change of the senior management were in strict compliance with the Articles of Association. The procedures for appointment of senior management complied with the Company Law and the Articles of Association. The senior management of the Company conducted operations and performed their duties legally and diligently in accordance with the laws, regulations and authorizations of the Board, in order to maximize shareholder's benefits and social benefits.
6. Information Disclosure and Transparency: The Company strictly complied with the listing rules of the exchanges where its shares are listed, and fulfilled the responsibilities of disclosure in a truthful, precise, complete and timely manner. Meanwhile, the Company also ensured the confidentiality before the disclosure of information to make sure the disclosure of the Company's information was in an open, fair and just manner so that each shareholder would have an equal chance to obtain such information. The Company's transparency continued to increase.
7. Investor Relationship and Stakeholders: The Company emphasized the maintenance of the investor relationship. The Company established hotlines for enquiries of investors, warmly received visits and on-site investigation by personal investors and institutional investors. Before the H Share issuance, the Company organized roadshow activities in Shanghai, Guangzhou, Beijing, Hong Kong and London for global investors. The Company's website was modified to provide simplified Chinese, traditional Chinese and English versions so that more investors can have deeper understanding of the Company's operation and development. The Company gave full respects to the shareholders, customers, staff and other stakeholders and protected their legitimate rights and interests from the perspective of system building and in each link of business operation, ensured the development of the Company in a sustainable, harmonious, healthy and standard way, in order to achieve all-win results for the Company and all stakeholders, thus maximizing the Company's profits and social benefits.
8. Registration and Management of People in Possession of Inside Information: During the Reporting Period, the Company implemented the System for the Registration and Management of People in Possession of Inside Information in strict compliance with the requirements of the regulators. According to the regulations of such system, the Company performed registration to record people associated with the inside information during the disclosure process of the Company's periodic reports. During the Reporting Period, no people possessing inside information traded the Company's shares in violation of the laws and regulations.

## SIGNIFICANT EVENTS

During the Reporting Period, according to the requirements of the regulatory departments, the Company further improved its organizational structure, institutional building and strengthened management of insider information, and ensured the actual status of the corporate governance of the Company complied with the requirements of the normative documents published by the CSRC regarding the corporate governance of listed companies. Since the date of listing of H Shares of the Company (December 5, 2016) up to the date of this report, the Company strictly complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report.

### COMPLIANCE WITH CG CODE

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Listing Rules upon Listing. The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code throughout the Reporting Period.

### SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules.

Specific enquiries have been made to all the Directors and the Supervisors and the Directors and the Supervisors have confirmed that they have complied with the Model Code throughout the period from the listing date up to the end of the Reporting Period.

The Company has also adopted the Securities Dealing Code governing securities transactions by the employees of the Company who may possess or have access to unpublished inside information in relation to dealing securities with terms no less favorable than the Model Code. The Company was not aware of any matters in relation to breaches of the Securities Dealing Code by any employee of the Company.

## XVI. SUBSEQUENT EVENTS

Save as disclosed herein, no material subsequent events of the Group occurred from the end of the Reporting Period to the date of disclosure of the interim report.

On July 14, 2017, the Company and Shanghai Dazhong Business Management entered into a transfer agreement (the "**Transfer Agreement**"), pursuant to which the Company agreed to transfer its subsequent capital contributions of RMB300 million (equivalent to approximately HK\$345.6 million) (the "**Target**") to Shanghai Dazhong Business Management at nil consideration. On the same day, the Company and Shanghai Dazhong Business Management entered into a supplemental agreement to the Transfer Agreement (the "**Supplemental Transfer Agreement**"), pursuant to which the Company agreed to enjoy profits and bear losses incurred by the projects prior to the completion (the "**Initial Projects**") in proportion to its initial paid-up contribution. Shanghai Dazhong Business Management does not have any interests in the Initial Projects. The Company and Shanghai Dazhong Business Management further agreed to enjoy profits and bear losses incurred by the projects after the completion of the Joint Arrangement (the "**Completion**") in proportion to their respective paid-up contribution. Since (1) the consideration is nil, and (2) Shanghai Dazhong Business Management does not enjoy profits and bear losses incurred by the projects prior to the Completion, the transfer of subsequent capital contributions from the Company to Shanghai Dazhong Business Management is deemed to be a joint arrangement (the "**Joint Arrangement**") by the Company and Shanghai Dazhong Business Management for the purpose of connected transaction analysis. Shanghai Dazhong Business Management is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the entering into the Transfer Agreement constitutes a connected transaction for the Company under the Hong Kong Listing Rules. For details, please refer to the announcement issued by the Company on July 14, 2017.

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

## Table of changes in shares

## 1. Table of changes in shares

Unit: share

	Opening balance		Change during the Reporting Period (+,-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Shares	Others	Subtotal	Amount	Percentage
		(%)			Converted from reserves				(%)
I. Restricted shares									
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Shares held by other domestic investors	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic non-State-owned legal persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Non-restricted liquid shares	2,902,704,675	100				49,730,000	49,730,000	2,952,434,675	100
1. RMB ordinary shares	2,423,764,675	83.05				(4,973,000)	(4,973,000)	2,418,791,675	81.93
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	478,940,000	16.5				54,703,000	54,703,000	533,643,000	18.07
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	2,902,704,675	100				49,730,000	49,730,000	2,952,434,675	100

## 2. Explanation on changes in shares

As of December 31, 2016, upon the public issuance of H Shares of the Company, the total shares of the Company amounted to 2,902,704,675 shares. On January 9, 2017, 54,703,000 shares of over-allotment H Shares were listed on the Main Board of the Hong Kong Stock Exchange. Meanwhile, two state-owned shareholders including Shanghai Gas Group decreased the shares they held by 4,973,000 A shares. The total share capital of the Company increased to 2,952,434,675 shares, of which 2,418,791,675 or 81.93% were A shares and 533,643,000 or 18.07% were H shares.

## 3. The effects of changes in shares on financial indicators such as earnings per share and net assets per share subsequent to the end of the Reporting Period and up to the publication date of the interim report (if any)

Not applicable.

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

### II. PARTICULARS OF SHAREHOLDERS

#### (I) Total number of shareholders:

Total number of shareholders of ordinary shares as of the Reporting Period	208,989
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

#### (II) Particulars of shareholdings of the top ten shareholders and the top ten shareholders with tradable shares (or shareholders not subject to selling restrictions) as at the end of the Reporting Period

Unit: Share

##### Particulars of top 10 shareholders

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Pledged or moratorium Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED	54,749,000	533,365,000	18.07	0	Nil	0	Overseas legal person
Shanghai Dazhong Business Management	0	495,143,859	16.77	0	Pledged	441,500,000	Domestic non-state- owned legal person
Shanghai Gas Group	(4,841,412)	153,832,735	5.21	0	Nil	0	State-owned legal person
China Europe Fund-Ningbo Bank-Junyuan No.1 Stock-type Asset Management Plan	7,004,442	17,403,760	0.59	0	Nil	0	Unknown
China Life Insurance Company Limited — Traditional-Ordinary Insurance Products -005L-CT001 Shanghai	(1,504,200)	15,508,083	0.53	0	Nil	0	Unknown
Central Huijin Asset Management Co., Ltd.	0	11,370,700	0.39	0	Nil	0	State-owned legal person
Lin Zhuangxi	1,200,000	11,200,000	0.38	0	Nil	0	Domestic natural person
Ding Xiumin	1,443,100	9,043,100	0.31	0	Nil	0	Domestic natural person
Agriculture Bank of China-China Securities 500 Index Fund	911,310	8,726,126	0.30	0	Nil	0	Unknown
Cai Zhishuang	2,246,000	8,246,000	0.28	0	Nil	0	Domestic natural person

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

## Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited	533,365,000	Overseas listed foreign shares	533,365,000
Shanghai Dazhong Business Management	495,143,859	Ordinary shares denominated in RMB	495,143,859
Shanghai Gas Group	153,832,735	Ordinary shares denominated in RMB	153,832,735
China Europe Fund-Ningbo Bank-Junyuan No.1 Stock-type Asset Management Plan	17,403,760	Ordinary shares denominated in RMB	17,403,760
China Life Insurance Company Limited-Traditional-Ordinary Insurance Products -005L-CT001 Shanghai	15,508,083	Ordinary shares denominated in RMB	15,508,083
Central Huijin Asset Management Co., Ltd.	11,370,700	Ordinary shares denominated in RMB	11,370,700
Lin Zhuangxi	11,200,000	Ordinary shares denominated in RMB	11,200,000
Ding Xiumin	9,043,100	Ordinary shares denominated in RMB	9,043,100
Agriculture Bank of China-China Securities 500 Index Fund	8,726,126	Ordinary shares denominated in RMB	8,726,126
Cai Zhishuang	8,246,000	Ordinary shares denominated in RMB	8,246,000
Explanations on the connected relationship or parties acting in concert among the above shareholders	The Company is not aware that any top 10 shareholders of tradable shares are connected with each other		
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings			

Explanation on the shareholding: As of the end of the Reporting Period, Shanghai Dazhong Business Management holds 4.931 million H shares of the Company through Shanghai-Hong Kong Stock Connect, which are registered under Hong Kong Securities Clearing Company Nominees Limited.

### III. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Not applicable.

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

### IV. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As of June 30, 2017, so far as is known to the Directors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name	Nature of interest	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in the Company	Approximate percentage of relevant class of Shares
Shanghai Dazhong Business Management	Beneficial owner	A Shares	495,143,859 (L)	16.77%	20.47%
Shanghai Dazhong Business Employee Share Ownership Committee* (上海大眾企業管理有限公司職工持股會) <sup>(2)</sup>	Interest of controlled corporations	A Shares	495,143,859 (L)	16.77%	20.47%
Shanghai Gas Group	Beneficial owner	A Shares	158,674,147 (L)	5.37%	6.56%
Shenergy (Group) Company Limited* (申能(集團)有限公司) <sup>(3)</sup>	Interest of controlled corporations	A Shares	158,674,147 (L)	5.37%	6.56%
ENN Energy China Investment Limited <sup>(4)</sup>	Beneficial owner	H Shares	129,261,000 (L) <sup>(2)</sup>	4.38%	24.22%
ENN Energy Holdings Limited <sup>(4)</sup>	Interest of controlled corporations	H Shares	129,261,000 (L)	4.38%	24.22%
Wang Yusuo (王玉鎖) <sup>(4)</sup>	Interest of controlled corporations	H Shares	129,261,000 (L)	4.38%	24.22%
Hai Tong Asset Management (HK) Limited <sup>(5)</sup>	Investment manager	H Shares	86,174,000 (L)	2.92%	16.15%
Haitong International Holdings Limited <sup>(5)</sup>	Investment manager	H Shares	86,174,000 (L)	2.92%	16.15%
Haitong International Securities Group Limited <sup>(5)</sup>	Investment manager	H Shares	86,174,000 (L)	2.92%	16.15%
Haitong Securities Co., Ltd. <sup>(5)</sup>	Investment manager	H Shares	86,174,000 (L)	2.92%	16.15%
New China Asset Management (Hong Kong) Limited <sup>(6)</sup>	Investment manager	H Shares	53,859,000 (L)	1.82%	10.09%
Investstar Limited <sup>(7)</sup>	Beneficial owner	H Shares	53,859,000 (L)	1.82%	10.09%
Towngas Investment Company Limited (煤氣投資有限公司) <sup>(7)</sup>	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%

\* For identification purposes only

# 2017

DaZhong Public Utilities

大众公用

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name	Nature of interest	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in the Company	Approximate percentage of relevant class of Shares
The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司) <sup>(7)</sup>	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Faxson Investment Limited <sup>(7)</sup>	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Henderson Land Development Company Limited <sup>(7)</sup>	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Henderson Development Limited <sup>(7)</sup>	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Hopkins (Cayman) Limited <sup>(8)</sup>	Trustee, interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Riddick (Cayman) Limited <sup>(8)</sup>	Trustee, interest of a controlled corporation	H Shares	53,859,000 (L)	1.82%	10.09%
Rimmer (Cayman) Limited <sup>(8)</sup>	Trustee, interest of a controlled corporation	H Shares	53,859,000 (L)	1.82%	10.09%
Lee Shau Kee (李兆基) <sup>(9)</sup>	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Keywise Capital Management (HK) Limited	Investment manager	H Shares	53,859,000 (L)	1.82%	10.09%
Norges Bank	Beneficial owner	H Shares	31,544,000 (L)	1.07%	5.91%
Citigroup Inc.	Custodian corporation/ approved lending agent	H Shares	23,658,000 (L,LP)	0.80%	4.43%
	Person having a security interest in shares		4,700,000 (L)	0.16%	0.88%



## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Notes:

- (1) (L) — Long position; (S) — Short position; (LP) — Lending Pool
- (2) Shanghai Dazhong Business Management Employee Share Ownership Committee\* (上海大眾企業管理有限公司職工持股會) is composed of (a) the employees of Shanghai Dazhong Business Management; (b) the employees of our Group; and (c) the employees of Dazhong Transportation Group. It is the beneficial owner of 90% equity interests in Shanghai Dazhong Business Management and is deemed to be interested in the entire A Shares interests held by Shanghai Dazhong Business Management.
- (3) Shenergy (Group) Company Limited\* (申能(集團)有限公司) is the beneficial owner of the entire equity interests in Shanghai Gas Group and is deemed to be interested in the A Shares held by Shanghai Gas Group.
- (4) ENN Energy China Investment Limited is wholly owned by ENN Energy Holdings Limited (Stock Code: 02688.HK). Mr. Wang Yusuo is the controlling shareholder of ENN Energy Holdings Limited. Therefore, each of ENN Energy Holdings Limited and Mr. Wang Yusuo is deemed to be interested in the H Shares held by ENN Energy China Investment Limited under the SFO.
- (5) Haitong Securities Co., Limited beneficially owns 100% of Haitong International Holdings Limited. Haitong International Holdings Limited beneficially owns 61.78% of Haitong International Securities Group Limited. Haitong International Securities Group Limited beneficially owns 100% of Haitong International (BVI) Limited. Haitong International (BVI) Limited beneficially owns 100% of Hai Tong Asset Management (HK) Limited. Haitong Securities Co., Limited, Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International (BVI) Limited are deemed to be interested in the 86,174,000 H Shares held by Hai Tong Asset Management (HK) Limited.
- (6) New China Asset Management (Hong Kong) Limited is owned as to 60.0% by New China Asset Management Company Limited, which is owned as to 99.4% by New China Life Insurance Company Limited (新華人壽保險股份有限公司) (stock code:1336.HK). Therefore each of New China Asset Management Company Limited and New China Life Insurance Company Limited (新華人壽保險股份有限公司) is deemed to be interested in the 53,859,000 H Shares held by New China Asset Management (Hong Kong) Limited.
- (7) Investstar Limited is a wholly-owned subsidiary of Towngas Investment Company Limited (煤氣投資有限公司), which is wholly owned by The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司) (stock code: 0003.HK). Faxson Investment Limited owns 41.52% of The Hong Kong and China Gas Company Limited, and is a wholly-owned subsidiary of Henderson Land Development Company Limited. Henderson Land Development Company Limited is owned as to 72.7% by Henderson Development Limited. Therefore each of Towngas Investment Company Limited (煤氣投資有限公司), The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司), Faxson Investment Limited, Henderson Land Development Company Limited and Henderson Development Limited is deemed to be interested in the 53,859,000 H Shares held by Investstar Limited under the SFO.
- (8) Hopkins (Cayman) Limited, as trustee of a unit trust (the "Unit Trust"), owns 100% of Henderson Development Limited. Rimmer (Cayman) Limited and Riddick (Cayman) Limited, as trustees of respective discretionary trusts, held units in the Unit Trust. Therefore each of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited is deemed to be interested in the 53,859,000 H Shares held by Investstar Limited under the SFO.
- (9) Lee Chau Kee beneficially owns 100% of each of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Lee Chau Kee is taken to be interested in the H Shares interest of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited, i.e. the 53,859,000 H Shares held by Investstar Limited.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### I. CHANGES IN SHAREHOLDING

#### (I) Changes in shareholding of current and resigned directors, supervisors and senior management during the Reporting Period

Not applicable.

#### (II) Share options granted to directors, supervisors and senior management during the Reporting Period

Not applicable.

### II. CHANGES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### 1. Changes

Name	Current Position	Change	Reason for change
Yang Weibiao	Executive Director and vice president	Appointed. Mr. Yang Weibiao (former Supervisor of the ninth session of the Supervisory Committee) was appointed as an executive Director of the tenth session of the Board with a term of three years commencing from the 2016 AGM and appointed as vice president of the Company by the Board on May 25, 2015.	Election of new session of the Board
Chan Wing Kin	Non-executive Director	Appointed. Mr. Chan Wing Kin was appointed as a non-executive Director of the tenth session of the Board with a term of three years commencing from the 2016 AGM.	Election of new session of the Board
Cheung Yip Sang	Non-executive Director	Appointed. Mr. Cheung Yip Sang was appointed as a non-executive Director of the tenth session of the Board with a term of three years commencing from the 2016 AGM.	Election of new session of the Board
Wang Kaiguo	Independent non-executive Director and chairman of the Remuneration and Appraisal Committee	Appointed. Mr. Wang Kaiguo was appointed as an independent non-executive Director the tenth session of the Board with a term of three years commencing from the 2016 AGM and chairman of the Remuneration and Appraisal Committee by the Board on May 25, 2015.	Election of new session of the Board

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Current Position	Change	Reason for change
<b>Wang Hongxiang</b>	Independent non-executive Director and chairman of the Audit Committee	Appointed. Mr. Wang Hongxiang was appointed as an independent non-executive Director of the tenth session of the Board with a term of three years commencing from the 2016 AGM and chairman of the Audit Committee by the Board on May 25, 2015.	Election of new session of the Board
<b>Liu Zhengdong</b>	Independent non-executive Director	Appointed. Mr. Liu Zhengdong was appointed as an independent non-executive Director of the tenth session of the Board with a term of three years commencing from the 2016 AGM.	Election of new session of the Board
<b>Zhong Jinxing</b>	–	Retired. Mr. Zhong Jinxing retired from his position as executive Director at the 2016 AGM.	Retirement
<b>Yang Jicai</b>	Supervisor and chairman of the tenth session of the Supervisory Committee	Retired. Mr. Yang Jicai retired from his position as executive Director of the ninth session of the Board at the 2016 AGM.	Retirement
		Appointed. Mr. Yang Jicai was appointed as Supervisor of the tenth session of the Supervisory Committee with a term of three years commencing from the 2016 AGM and chairman of the tenth session of the Supervisory Committee by the Supervisory Committee on May 25, 2015.	Election of new session of the Supervisory Committee
<b>Cai Jianmin</b>	–	Retired. Mr. Cai Jianmin retired from his position as independent non-executive Director, and the position as chairman of the Audit Committee and member of the Remuneration and Appraisal Committee and Nomination Committee at the 2016 AGM.	Retirement

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Current Position	Change	Reason for change
Yan Xuehai	–	Resigned. Mr. Yan Xuehai resigned from his position as independent non-executive Director and the position as member of the Audit Committee on February 20, 2017 and with effect from the 2016 AGM.	Health condition
Cao Yongqin	–	Retired. Mr. Cao Yongqin retired from his position as Supervisor at the 2016 AGM.	Retirement
Zhao Fei	Employee representative Supervisor and joint company secretary	Resigned. Ms. Zhao Fei resigned from her position as secretary to the Board by the Board on May 25, 2017.	Resigned from position as secretary to the Board
		Elected. Ms. Zhao Fei was elected by the employee congress of the Company as the employee representative Supervisor of the tenth session of the Supervisory Committee.	Election of new session of Supervisory Committee
		Appointed. Ms. Zhao Fei was appointed as general manager of legal department,	Appointment by the Board
Jin Bo	Vice president and secretary to the Board	Appointed. Mr. Jin Bo was appointed as vice president of the Company and secretary to the Board by the Board on May 25, 2017.	Appointment by the Board
Zhao Ruijun	Vice financial officer (財務副總監)	Appointed. Mr. Zhao Ruijun was appointed as vice financial officer of the Company by the Board on May 25, 2017.	Appointment by the Board
Liang Jiawei	Executive Director and president	Appointed. Mr. Liang Jiawei was re-elected as executive Director with a term of three years commencing from the 2016 AGM and appointed as president of the Company by the Board on May 25, 2017.	Appointment by the Board

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Current Position	Change	Reason for change
<b>Zhuang Jianhao</b>	Executive Director and vice president	Appointed. Mr. Zhuang Jianhao was re-elected as executive Director with a term of three years commencing from the 2016 AGM and appointed as vice president of the Company by the Board on May 25, 2017.	Appointment by the Board
<b>Cao Jing</b>	Authorized representative of securities affairs (證券事務授權代表)	Appointed. Mr. Cao Jing was appointed as authorized representative of securities affairs of the Company by the Board on 25 May 2015.	Appointment by the Board

### 2. Directors

During the Reporting Period, the Company completed the election of new members of the Board and re-designated six directors, accounting for 46.15% of the total directors. The details are as follows:

Members of the ninth session of the Board			Members of the tenth session of the Board		
No.	Name	Position	No.	Name	Position
1	Yang Guoping	Chairman of the Board	1	Yang Guoping	Chairman of the Board
2	Zhong Jinxing	Vice Chairman of the Board	2	Liang Jiawei	Executive Director
3	Liang Jiawei	Director	3	Yu Min	Executive Director
4	Yu Min	Director	4	Zhuang Jianhao	Executive Director
5	Yang Jicai	Director	5	Yang Weibiao	Executive Director
6	Zhuang Jianhao	Director	6	Chan Wing Kin	Non-executive Director
7	Li Songhua	Director	7	Li Songhua	Non-executive Director
8	Cai Jianmin	Independent director	8	Cheung Yip Sang	Non-executive Director
9	Yan Xuehai	Independent director	9	Wang Kaiguo	Independent non-executive Director
10	Yao Cho Fai Andrew	Independent director	10	Yao Cho Fai Andrew	Independent non-executive Director
11	Chow Siu Lui	Independent director	11	Chow Siu Lui	Independent non-executive Director
			12	Wang Hongxiang	Independent non-executive Director
			13	Liu Zhengdong	Independent non-executive Director

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### 3. Supervisors

During the Reporting Period, the Company completed the election of new members of the Supervisors Committee and re-designated two supervisors, accounting for 66.67% of the total supervisors. The details are as follows:

Members of the ninth session of the Supervisory Committee			Members of the tenth session of the Supervisory Committee		
No.	Name	Position	No.	Name	Position
1	Cao Yongqin	Chairman of the Supervisory Committee	1	Yang Jikai	Chairman of the Supervisory Committee
2	Zhao Siyuan	Supervisor	2	Zhao Siyuan	Supervisor
3	Yang Weibiao	Employee Supervisor	3	Zhao Fei	Employee Supervisor

### 4. Senior management

During the Reporting Period, the Company re-designated three senior management, accounting for 60% of the total supervisors. The details are as follows:

At of the end of 2016			As of the end of the Reporting Period		
No.	Name	Position	No.	Name	Position
1	Liang Jiawei	General manager	1	Liang Jiawei	President
2	Yang Jikai	Deputy general manager	2	Zhuang Jianhao	Vice President
3	Zhuang Jianhao	Deputy general manager	3	Yang Weibiao	Vice President
4	Zhong Jinxing	Finance Controller	4	Jin Bo	Vice President, Secretary to the Board
5	Zhao Fei	Secretary to the Board, General manager of the Department of Legal Matters	5	Zhao Ruijun	Vice Finance Controller (presiding over the work)

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### III. INFORMATION ON THE INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SECURITIES

#### 1. Long position and short position in the shares, underlying shares and debentures of the Company or its associated corporations

To the best knowledge of the Directors, as of June 30, 2017, the beneficial interests or short positions of the Directors, Supervisors and the chief executives in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (c) pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name	Nature of interest	Number of Shares held	Class of Shares	Approximate % of Interest in the Company	Approximate % of the relevant class of Shares
Mr. YANG Guoping (楊國平) <sup>(1)(9)</sup>	Beneficial owner	2,097,861	A Shares	0.07%	0.09%
Mr. ZHONG Jinxing (鍾晉倅) <sup>(2)(9)</sup>	Beneficial owner	495,059	A Shares	0.02%	0.02%
Mr. LIANG Jiawei (梁嘉璋) <sup>(3)(9)</sup>	Beneficial owner	222,300	A Shares	0.01%	0.01%
Ms. YU Min (俞敏) <sup>(4)(9)</sup>	Beneficial owner	712,621	A Shares	0.02%	0.03%
Mr. YANG Jicai (楊繼才) <sup>(5)(9)</sup>	Beneficial owner	500,306	A Shares	0.02%	0.02%
Mr. ZHUANG Jianhao (莊建浩) <sup>(6)(9)</sup>	Beneficial owner	115,000	A Shares	0.00%	0.00%
Ms. CAO Yongqin (曹永勤) <sup>(7)(9)</sup>	Beneficial owner	57,387	A Shares	0.00%	0.00%
Mr. YANG Weibiao (楊衛標) <sup>(8)(9)</sup>	Beneficial owner	54,000	A Shares	0.00%	0.00%

Notes:

- (1) Mr. Yang Guoping (楊國平) holds 14,229,800 shares in Shanghai Dazhong Business Management Employee Share Ownership Committee\* (上海大眾企業管理有限公司職工持股會) (the "Employee Share Ownership Committee"), representing 9.55% of the total number of shares of the Employee Share Ownership Committee.
- (2) Mr. Zhong Jinxing (鍾晉倅) holds 611,500 shares in the Employee Share Ownership Committee, representing 0.41% of the total number of shares of the Employee Share Ownership Committee.
- (3) Mr. Liang Jiawei (梁嘉璋) holds 112,100 shares in the Employee Share Ownership Committee, representing 0.07% of the total number of shares of the Employee Share Ownership Committee.
- (4) Ms. Yu Min (俞敏) holds 949,000 shares in the Employee Share Ownership Committee, representing 0.63% of the total number of shares of the Employee Share Ownership Committee.
- (5) Mr. Yang Jicai (楊繼才) holds 137,600 shares in the Employee Share Ownership Committee, representing 0.09% of the total number of shares of the Employee Share Ownership Committee.
- (6) Mr. Zhuang Jianhao (莊建浩) holds 50,000 shares in the Employee Share Ownership Committee, representing 0.03% of the total number of shares of the Employee Share Ownership Committee.
- (7) Ms. Cao Yongqin (曹永勤) holds 669,200 shares in the Employee Share Ownership Committee, representing 0.44% of the total number of shares of the Employee Share Ownership Committee.
- (8) Mr. Yang Weibiao (楊衛標) holds 164,000 shares in the Employee Share Ownership Committee, representing 0.11% of the total number of shares of the Employee Share Ownership Committee.
- (9) The Employee Share Ownership Committee is the beneficial owner of the 90% equity interests in Shanghai Dazhong Business Management and is deemed to be interested in 495,143,859 A Shares held by Shanghai Dazhong Business Management.

Saved as disclosed above, as at 30 June 2017, none of the Directors, Supervisors and the chief executives had interests or short positions defined above.

## PARTICULARS OF CORPORATE BONDS

## I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB 100 million

Name of bond	Abbreviation	Code	Date of Issue	Due date	Balances	Interest		Trading place
						rate (%)	Repayment of principal and interest	
2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd.	11 Hu Dazhong	122112	2012.01.06	2018.01.05	16	5.71	The interest of this bond is calculated annually, regardless of compound interest, and paid once every six months. The principal will be returned upon maturity. The last interest will be paid together with the principal.	SSE

**Payment of interests of corporate bonds**

Upon the approval of the "Zheng Jian Xu Ke [2011] No. 2079" from the CSRC, the Company issued 6-year corporate bonds at floating rates of RMB1.6 billion on January 11, 2012. The value date shall be 6 January and 6 July for every year within the duration of the bond. The issue date was January 6, 2012. The coupon rate for the first interest bearing period was 6.98%. The second interest bearing period of the bond was from July 6, 2012 to January 5, 2013, with a coupon rate of 6.56%. The third interest bearing period of the bond was from January 6, 2013 to July 5, 2013, with a coupon rate of 6.30%. The fourth interest bearing period of the bond was from July 6, 2013 to January 5, 2014, with a coupon rate of 6.85%. The fifth interest bearing period of the bond was from January 6, 2014 to July 5, 2014, with a coupon rate of 7.29%. The sixth interest bearing period of the bond was from July 6, 2014 to January 5, 2015, with a coupon rate of 6.59%. The seventh interest bearing period of the bond was from January 6, 2015 to July 5, 2015, with a coupon rate of 6.44%. The eighth interest bearing period of the bond was from July 6, 2015 to January 5, 2016, with a coupon rate of 6.26%. The ninth interest bearing period of the bond was from January 6, 2016 to July 5, 2016, with a coupon rate of 5.34%. The tenth interest bearing period of the bond was from July 6, 2016 to January 5, 2017, with a coupon rate of 5.28%. The eleventh interest bearing period of the bond was from January 6, 2016 to July 5, 2017, with a coupon rate of 5.36%. The twelfth interest bearing period of the bond was from July 6, 2017 to January 5, 2018, with a coupon rate of 5.71%.



## PARTICULARS OF CORPORATE BONDS

### II. CONTACT PERSON AND CONTACT DETAILS OF THE TRUSTEES IN CORPORATE BONDS AND CONTACT DETAILS OF THE CREDIT RATING AGENCY

Trustee	Name	Haitong Securities Co., Ltd. (“Haitong Securities”)
	Office address	Level 23, Fang Yuan Building, Jia No. 56 South Zhongguancun Street, Haidian District, Beijing City
	Contact person	Luo Lina, Yang Jiayan
	Contact number	010-88027189
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Level 8, Anji Building, No.760 South Xizang Road, Shanghai

### III. USE OF PROCEEDS FROM THE ISSUANCE OF CORPORATE BONDS

The proceeds of RMB1.6 billion from the issuance of this bond have been fully utilized, of which RMB1.1 billion was used to repay corporate debts and the remaining was used to supplement the working capital of the Company.

### IV. RATING OF CORPORATE BONDS

After the comprehensive assessment of China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司), the credit rating of the Company was AA+ and the credit rating of this bond 11 Hu Dazhong was AA+. The above ratings reflected the subject has strong ability repay the debt, the impact of the adverse economic environment is small, the risk of default is very low, the current credit quality is very high, and the credit risk is very low. China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司) will issue a formal regular follow-up report in two months after the publication of the annual report of the Company every year after the issuance of this credit rating report. The follow-up credit ratings are all AA+.

The Company issued “the first tranche of the 2017 ultra-short-term financing bills of Shanghai Dazhong Public Utilities (Group) Co., Ltd.” on February 23, 2017; issued “the first tranche of the 2017 medium-term notes of Shanghai Dazhong Public Utilities (Group) Co., Ltd.” in August 9-10, 2017; issued “the first tranche of the 2017 ultra-short-term financing bills of Shanghai Dazhong Public Utilities (Group) Co., Ltd.” on August 14-15, 2017, issued “the second tranche of the 2017 medium-term notes of Shanghai Dazhong Public Utilities (Group) Co., Ltd.” in August 16-17, 2017. According to China Chengxin Securities Rating Company Limited (中誠信國際信用評級有限責任公司), credit rating of the Company is AA+, with stable outlook. Credit rating of the above debt instruments are AA+ with no rating difference.

### V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLANS AND OTHER RELEVANT INFORMATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

During the Reporting Period, the Company paid the interests fully and on time with the cash flow generated from the daily operation. In the future, we will further strengthen the Company’s management of asset and liability, liquidity management and the use of proceeds, to ensure that the funds are utilized as scheduled, capitals are fully and timely prepared to be used for payment of interests and principals when due every year, in order to fully protect the interests of the investors.

### VI. MEETINGS OF CORPORATE BONDHOLDERS

No meeting of corporate bondholders was held during the Reporting Period.

## PARTICULARS OF CORPORATE BONDS

## VII. DUTY PERFORMANCE OF THE TRUSTEES OF THE CORPORATE BONDS

The trustee of 2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. was Haitong Securities Co., Ltd. Haitong Securities has fulfilled the relevant obligations of the trustee with diligence and on time.

## VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND LAST YEAR (OR FOR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR)

Key indicators	As at the end of the Reporting Period	As at the end of the year	Increase/decrease as at the end of the Reporting Period over that as at the end of the year (%)	Reasons for the change
Current ratio	62.88%	89.34%	-26.46	the transfer of long-term loans due within one year into current liabilities.
Quick ratio	62.46%	88.82%	-26.36	the transfer of long-term loans due within one year into current liabilities.
Gearing ratio	63.72%	51.80%	11.92	Increase in short-term borrowings
Loan repayment ratio	100%	100%	-	-

	The Reporting Period (From January to June)	The corresponding period of last year	Increase/decrease as at the end of the Reporting Period over that as at the end of the year (%)	Reasons for the change
EBITDA/interest coverage	4.70	6.32	-25.66	Increase in borrowings resulted in an increase in interest expense
Interest payment ratio	100%	100%	-	-

## IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

On September 23, 2016, the Company completed the issuance of the first tranche of ultra-short-term financing bills for the year 2016 of the Company Abbreviation: 16 Shanghai Dazhong SCP001. Code: 011698497. Issuance amount: RMB0.3 billion. Issuance period: 270 days. Interest-bearing method: one-off payment of principal with interests. Issuance price: face value of RMB100. Nominal interest rate: 2.90%. The value date: September 23, 2016. Date of payment: June 20, 2017.

On February 23, 2017, the Company completed the issuance of the first tranche of ultra-short-term financing bills for the year 2017 of the Company (see China Currency Website <http://www.chinamoney.com.cn> and Shanghai clearing house website <http://www.shclearing.com>). Abbreviation: 17 Shanghai Dazhong SCP001. Code: 011764014. Issuance amount: RMB0.5 billion. Issuance period: 180 days. Interest-bearing method: one-off payment of principal with interests. Issuance price: face value of RMB100. Nominal interest rate: 4.43%. The value date: February 24, 2017. Date of payment: August 23, 2017. At present, the payment has been completed.

## PARTICULARS OF CORPORATE BONDS

As at the date of this report, the above two tranches of ultra-short-term were settled.

On August 9-10, 2017, the Company completed the issuance of the first tranche of the 2017 medium-term notes of Shanghai Dazhong Public Utilities (Group) Co., Ltd.\*" (see the website of Chinamoney <http://www.chinamoney.com.cn> or the website of Shanghai Clearing House at <http://www.shclearing.com>). Abbreviation: 17 Shanghai Dazhong MTN001. Code: 101764040. Issuance amount: RMB0.6 billion. Issuance period: 3 years. Interest-bearing method: Interest under the Issue shall be calculated annually on the basis of simple interest instead of compound interest. Interest payment will be made once each year and the principal amount will be repaid in a one-off payment upon maturity. The last interest payment shall be made together with the principal repayment. Issue price: RMB100/face value of RMB100. Nominal interest rate: 4.88%. The value date: August 11, 2017. Date of payment: August 11, 2020.

On August 14-15, 2017, the Company completed the issuance of the first tranche of the 2017 ultra-short-term financing bills of Shanghai Dazhong Public Utilities (Group) Co., Ltd.\*" (see the website of Chinamoney <http://www.chinamoney.com.cn> or the website of Shanghai Clearing House at <http://www.shclearing.com>). Abbreviation: 17 Shanghai Dazhong CP001. Code: 041764018. Issuance amount: RMB0.5 billion. Issuance period: 365 days. Interest-bearing method: one-off payment of principal with interests. Issue price: face value of RMB100. Nominal interest rate: 4.63%. The value date: August 16, 2017. Date of payment: August 16, 2018.

On August 16-17, 2017, the Company completed the issuance of the second tranche of the 2017 medium-term notes of Shanghai Dazhong Public Utilities (Group) Co., Ltd.\*" (see the website of Chinamoney <http://www.chinamoney.com.cn> or the website of Shanghai Clearing House at <http://www.shclearing.com>). Abbreviation: 17 Shanghai Dazhong MTN002. Code: 101764045. Issuance amount: RMB0.5 billion. Issuance period: 3 years. Interest-bearing method: Interest under the Issue shall be calculated annually on the basis of simple interest instead of compound interest. Interest payment will be made once each year and the principal amount will be repaid in a one-off payment upon maturity. The last interest payment shall be made together with the principal repayment. Issue price: RMB100/face value of RMB100. Nominal interest rate: 4.85%. The value date: August 18, 2017. Date of payment: August 18, 2020.

### X. BANK CREDITS OF THE COMPANY DURING THE REPORTING PERIOD

The Group has aggregated banking facilities of RMB7,460,157,000 (at the beginning of 2017: RMB6,846,782,000) acquired from the bankers, of which RMB3,114,614,000 (at the beginning of 2017: RMB2,322,826,000) was utilised and RMB4,345,543,000 (at the beginning of 2017: RMB4,523,956,000) was unutilised as at 30 June 2017.

### XI. PERFORMANCE OF COMMITMENTS AND UNDERTAKINGS BY THE COMPANY IN RESPECT OF CORPORATE BONDS ACCORDING TO THE PROSPECTUSES DURING THE REPORTING PERIOD

During the Reporting Period, the Company was in strict compliance with its commitments and undertakings in respect of corporate bonds.

2017

DaZhong Public Utilities

大众公用

## CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	2,480,420	2,544,025
Cost of sales		(2,035,448)	(2,149,361)
Gross profit		444,972	394,664
Other income and gains	5	15,126	12,954
Selling and distribution costs		(79,997)	(72,792)
Administrative expenses		(185,131)	(143,967)
Investment income and gains, net	7	75,218	106,930
Finance costs	8	(94,936)	(83,304)
Share of results of associates	16	173,051	206,605
Profit before income tax expense	10	348,303	421,090
Income tax expense	11	(56,842)	(62,298)
<b>Profit for the period</b>		<b>291,461</b>	<b>358,792</b>
<b>Other comprehensive income, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		(81,094)	(18,483)
Change in fair value of available-for-sale financial assets		(30,163)	(62,337)
Exchange differences on translating foreign operations		(6,906)	(2,260)
Items that will not be reclassified to profit/(loss):			
Re-measurement gains on defined benefit obligations		1,754	3,026
<b>Other comprehensive income for the period, net of tax</b>		<b>(116,409)</b>	<b>(80,054)</b>
<b>Total comprehensive income for the period</b>		<b>175,052</b>	<b>278,738</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		202,735	300,083
Non-controlling interests		88,726	58,709
		291,461	358,792
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		86,726	218,516
Non-controlling interests		88,326	60,222
		175,052	278,738
<b>Earnings per share</b>			
Basic and diluted	13	RMB0.07	RMB0.12

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	14	4,677,720	4,590,460
Investment properties		63,849	64,948
Payments for leasehold land held for own use under operating leases		72,145	69,421
Goodwill		1,312	1,312
Intangible assets	15	352,577	361,496
Investments in associates	16	5,167,516	4,684,486
Available-for-sale financial assets	17	1,191,441	791,989
Trade and bills receivables	18	467,475	463,337
Lease receivables	19	478,733	615,247
Amount due from grantor	20	600,020	618,369
Long-term prepayment		2,804	–
Deferred tax assets	21	25,247	20,495
<b>Total non-current assets</b>		<b>13,100,839</b>	<b>12,281,560</b>
<b>Current assets</b>			
Inventories		32,767	27,909
Trade and bills receivables	18	294,748	335,940
Lease receivables	19	440,113	375,685
Loan receivables	22	182,871	224,885
Prepayments and other receivables		199,244	77,227
Amount due from grantor	20	35,773	34,847
Financial assets at fair value through profit or loss	23	62,588	74,103
Available-for-sale financial assets	17	180,084	160,000
Pledged deposits	24	422,621	159,000
Cash and cash equivalents	24	3,096,054	3,258,733
<b>Total current assets</b>		<b>4,946,863</b>	<b>4,728,329</b>
<b>Current liabilities</b>			
Borrowings	25	2,720,395	1,944,671
Short-term bonds and corporate bonds payable	26	2,105,081	302,417
Trade and bills payables	27	1,277,170	1,289,529
Other payables	28	984,154	997,366
Deferred income	29	210,306	210,633
Amounts due to customers for contract work	30	513,628	517,811
Employee defined benefits		2,209	2,130
Current tax liabilities		54,646	27,685
<b>Total current liabilities</b>		<b>7,867,589</b>	<b>5,292,242</b>
<b>Net current liabilities</b>		<b>(2,920,726)</b>	<b>(563,913)</b>
<b>Total assets less current liabilities</b>		<b>10,180,113</b>	<b>11,717,647</b>

# 2017

DaZhong Public Utilities

大众公用

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Borrowings	25	394,219	378,155
Corporate bonds payable	26	–	1,595,052
Other payables	28	334,011	275,573
Deferred income	29	1,114,230	1,116,838
Employee defined benefits		36,847	39,087
Provision for restoration		21,129	19,295
Deferred tax liabilities	21	88,621	99,225
<b>Total non-current liabilities</b>		<b>1,989,057</b>	<b>3,523,225</b>
<b>Net assets</b>		<b>8,191,056</b>	<b>8,194,422</b>
<b>Equity</b>			
Share capital	31	2,952,435	2,902,705
Reserves		4,133,204	4,160,340
<b>Non-controlling interests</b>		<b>7,085,639</b>	<b>7,063,045</b>
<b>Total equity</b>		<b>8,191,056</b>	<b>8,194,422</b>

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
(Unaudited)										
1 January 2017	2,902,705	1,031,187	733,373	5,214	214,881	1,178,517	997,168	7,063,045	1,131,377	8,194,422
Profit for the period	-	-	-	-	-	-	202,735	202,735	88,726	291,461
Other comprehensive income for the period:										
Share of other comprehensive income of associates	-	-	-	-	-	(81,094)	-	(81,094)	-	(81,094)
Change in fair value of available-for-sale financial assets	-	-	-	-	(28,886)	-	-	(28,886)	(1,277)	(30,163)
Exchange differences on translating foreign operations	-	-	-	(5,214)	-	(1,692)	-	(6,906)	-	(6,906)
Re-measurement gains on defined benefit obligations	-	-	-	-	-	877	-	877	877	1,754
Total comprehensive income for the period	-	-	-	(5,214)	(28,886)	(81,909)	202,735	86,726	88,326	175,052
Issue of H-shares (note 31(i))	49,730	110,564	-	-	-	-	-	160,294	-	160,294
2016 final dividend paid (note 12)	-	-	-	-	-	-	(177,146)	(177,146)	-	(177,146)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(35,251)	(35,251)
Acquisition of equity interests of non-controlling interests	-	4,035	-	-	-	-	-	4,035	(79,035)	(75,000)
Share of changes in capital reserve of associates	-	(51,315)	-	-	-	-	-	(51,315)	-	(51,315)
At 30 June 2017	2,952,435	1,094,471	733,373	-	185,995	1,096,608	1,022,757	7,085,639	1,105,417	8,191,056
(Audited)										
1 January 2016	2,467,305	169,240	669,878	5,942	293,393	1,451,247	661,059	5,718,064	1,061,122	6,779,186
Profit for the period	-	-	-	-	-	-	300,083	300,083	58,709	358,792
Other comprehensive income for the year:										
Share of other comprehensive income of associate	-	-	-	-	-	(18,483)	-	(18,483)	-	(18,483)
Change in fair value of available-for-sale financial assets	-	-	-	-	(62,337)	-	-	(62,337)	-	(62,337)
Exchange differences on translating foreign operations	-	-	-	(2,260)	-	-	-	(2,260)	-	(2,260)
Re-measurement losses on defined benefit obligations	-	-	-	-	-	1,513	-	1,513	1,513	3,026
Total comprehensive income for the period	-	-	-	(2,260)	(62,337)	(16,970)	300,083	218,516	60,222	278,738
2015 final dividend paid (note 12)	-	-	-	-	-	-	(148,038)	(148,038)	-	(148,038)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(29,118)	(29,118)
Others	-	489	-	-	-	-	-	489	-	489
At 30 June 2016	2,467,305	169,729	669,878	3,682	231,056	1,434,277	813,104	5,789,031	1,092,226	6,881,257

# 2017

DaZhong Public Utilities

大众公用

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Profit before income tax expense</b>	<b>348,303</b>	421,090
Adjustments for:		
Finance costs	<b>94,936</b>	83,304
Share of results of associates	<b>(173,051)</b>	(206,605)
Amortisation on payments for leasehold land held for own use under operating leases	<b>1,022</b>	1,070
Amortisation on intangible assets	<b>9,698</b>	11,448
Depreciation of property, plant and equipment	<b>166,676</b>	163,157
Depreciation of investment properties	<b>1,099</b>	1,099
Impairment loss on trade receivables	<b>666</b>	413
Impairment loss on loan receivables	<b>(571)</b>	302
Impairment loss on prepayments and other receivables	<b>105</b>	(9,543)
Loss/(gain) on disposal of property, plant and equipment	<b>8,040</b>	7,240
Loss on disposal of financial assets at fair value through profit or loss — held for trading	<b>8,125</b>	4,018
Loss on disposal of available-for-sale financial assets	<b>—</b>	5,453
Gain on disposal of government bonds	<b>(2,552)</b>	(1,076)
Changes in fair value of financial assets at fair value through profit or loss	<b>(10,773)</b>	12,611
Dividend income	<b>(66,476)</b>	(121,846)
Other financial income	<b>(3,542)</b>	(6,090)
Exchange gain	<b>37,045</b>	(7,084)
Financial income from wastewater treatment income	<b>(15,830)</b>	(16,397)
Financial income from public infrastructure projects	<b>(18,319)</b>	(21,274)
Bank interest income	<b>(13,229)</b>	(6,543)
Other interest income	<b>—</b>	(2,277)
Others	<b>—</b>	19



## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
<b>Cash flows generated from operating activities</b>		
Operating profit before working capital changes	371,372	312,489
(Increase) in inventories	(4,858)	(10,325)
Decrease in trade and bills receivables	36,388	41,872
Increase in prepayments and other receivables	(124,926)	(33,689)
Increase/(decrease) in trade and bills payables	(12,359)	264,463
Increase/(decrease) in other payables	208,576	(165,089)
(Decrease)/increase in deferred income	(2,935)	51,829
Increase/(decrease) in amounts due to customers for contract work	(4,183)	17,398
<b>Cash generated from operations</b>	<b>467,075</b>	<b>478,948</b>
Bank interest income	13,229	6,543
Other interest income	–	2,277
Income taxes paid	(34,822)	(25,692)
<b>Net cash flows generated from operating activities</b>	<b>445,482</b>	<b>462,076</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposals of investments and financial assets	140,442	124,367
Net receipt/(payment) in lease receivables	72,086	(117,780)
Net (payment)/receipt in loan receivables	42,585	(2,200)
Increase in pledged deposit	(263,621)	(154,603)
Proceeds from return on investment and financial assets	118,937	279,731
Proceeds from disposals of property, plant and equipment, intangible assets and long-term investments	1	170
Proceeds from repayment of amount due from grantor	17,423	76,986
(Payment)/receipt for wastewater treatment tender	(56)	100,800
Acquisition of property, plant and equipment and payments for leasehold land held for own use under operating leases	(266,354)	(194,649)
Acquisition of intangible assets	(92)	(31,028)
Acquisition of a subsidiary, net of cash acquired	–	42,178
Payments for acquisition of new investments	(1,369,763)	(760,528)
<b>Net cash flows used in investing activities</b>	<b>(1,508,412)</b>	<b>(636,556)</b>

2017

DaZhong Public Utilities

大众公用

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<b>Cash flows from financing activities</b>		
Acquisition of new bank borrowings	2,341,453	1,845,886
Repayment of bank borrowings	(1,549,665)	(1,065,802)
Payments of interest expenses	(86,499)	(38,900)
Net proceeds from the issue of new H-shares	160,294	–
Net proceeds from the issue of short-term bonds payable	500,000	–
Repayment of short-term bonds	(300,000)	–
Payments of final dividends	–	(148,038)
Dividends paid to non-controlling interests	(35,251)	(29,118)
Acquisition of equity shares of non-controlling interests	(79,035)	–
<b>Net cash flows generated from financing activities</b>	<b>951,297</b>	<b>564,028</b>
Net increase in cash and cash equivalents	(111,633)	389,548
Exchange differences on translating cash flows of foreign operations	(51,046)	7,085
Cash and cash equivalents at beginning of period	3,258,733	1,549,655
Cash and cash equivalents at end of period	3,096,054	1,946,288

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 1. CORPORATE INFORMATION

Shanghai Dazhong Public Utilities (Group) Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 1 January 1992 as a joint stock limited liability company. On 4 March 1993, the Company was listed on the Shanghai Stock Exchange. Its registered office and the principal place of business activities is located at No. 518, Shang Cheng Road, Pudong New District, Shanghai, the PRC and 1515 Zhongshan Road West, Shanghai, the PRC respectively.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) on 5 December 2016.

The Company is principally engaged in investment holding. The principal business activities of its subsidiaries (together with the Company, the “Group”) included piped gas supply, wastewater treatment, public infrastructure projects and financial services.

The unaudited condensed consolidated interim financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

The unaudited condensed consolidated interim financial statements have been prepared by the directors of the Company solely for the purpose of the listing of the H shares of the Company on the Main Board of the SEHK. As a result, the unaudited condensed consolidated interim financial statements may not be suitable for another purpose.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The SEHK (the “Listing Rules”).

The accounting policies adopted for the preparation of the unaudited condensed consolidated interim financial statements are consistent with those set out in the Group’s consolidated annual financial statements for the year ended 31 December 2016, except for adoption of new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB which are effective to the Group for accounting periods beginning on or after 1 January 2017. The adoption of the new and revised IFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Company.

The Group had net current liabilities of approximately RMB2,920,726,000 as at 30 June 2017. The Group meets its day-to-day work capital requirements through its bank borrowings. Its forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current banking facilities. The directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and therefore are of the view that it is appropriate to adopt the going concern basis in preparing the unaudited condensed consolidated financial statements. Further information on the Group's bank borrowings is set out in note 25.

### 3. SEGMENT INFORMATION

The Group determines its operating segment based on the reports reviewed by the Group's chief operating decision maker, which are the Company's executive directors that are used to make strategic decisions.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Piped gas supply;
- Wastewater treatment;
- Public infrastructure projects;
- Investments;
- Transportation services; and
- Financial services.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. SEGMENT INFORMATION (Continued)

## (a) Business segment

For the six months ended 30 June 2017 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infra- structure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Revenue from external customers	2,325,918	80,562	25,678	-	-	48,262	2,480,420
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	2,325,918	80,562	25,678	-	-	48,262	2,480,420
Reportable segment profit	159,767	23,042	11,395	154,091	70,728	32,260	451,283
Unallocated income/(expenses), net							(46,103)
Unallocated interest income							9,060
Unallocated interest expenses							(65,937)
Profit before income tax expense							348,303
Income tax expense							(56,842)
Profit for the period							291,461
Reportable segment assets	5,702,326	1,110,200	744,970	4,395,296	2,487,818	1,590,514	16,031,124
Unallocated cash and cash equivalents							1,813,946
Corporate assets*							202,632
Total assets							18,047,702
Reportable segment liabilities	4,098,425	191,841	221,889	434,796	-	808,157	5,755,108
Unallocated borrowings							1,529,300
Corporate bonds and short-term bonds payable							2,105,081
Corporate liabilities <sup>#</sup>							467,157
Total liabilities							9,856,646

\* Corporate assets consisted of property, plant and equipment, investment property, payments for leasehold land held for own use under operating leases, goodwill, intangible assets and prepayments and other receivables for the amounts approximately RMB50.1 million, RMB63.8 million, RMB7.5 million, RMB1.3 million, RMB0.3 million and RMB77.0 million respectively.

<sup>#</sup> Other unallocated corporate liabilities consisted of other payables, salary payables, dividend and interest payable, and deferred tax liabilities for the amounts approximately RMB183.7 million, RMB11.2 million, RMB221.2 million and RMB51.1 million respectively.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. SEGMENT INFORMATION (Continued)

## (a) Business segment (Continued)

For the six months ended 30 June 2017 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infra- structure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Other segment information:							
Share of results of associates	10,809	1,761	-	89,753	70,728	-	173,051
Interest income	2,759	302	375	401	-	332	4,169
Interest expenses	7,347	1,736	3,929	5,882	-	10,105	28,999
Investment income and gains, net	-	-	-	75,218	-	-	75,218
Amortisation	970	9,584	-	-	-	41	10,595
Depreciation	164,024	1,391	-	-	-	335	165,750
Impairment loss on trade receivables	549	(30)	147	-	-	-	666
Written back of impairment loss on loan receivables	-	-	-	-	-	(571)	(571)
(Written back of impairment loss)/ Impairment loss on prepayments and other receivables	122	79	9	-	-	(4)	206
Loss on disposal of property, plant and equipment	8,040	-	-	-	-	-	8,040
Investments in associates	394,011	31,820	-	2,253,867	2,487,818	-	5,167,516
Additional to non-current assets	183,695	68,930	8	-	-	28	252,661

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. SEGMENT INFORMATION (Continued)

## (a) Business segment (Continued)

For the six months ended 30 June 2016 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infrastructure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Revenue from external customers	2,379,022	94,068	28,687	-	-	42,248	2,544,025
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	2,379,022	94,068	28,687	-	-	42,248	2,544,025
Reportable segment profit	98,211	42,174	14,764	228,084	64,095	20,518	467,846
Unallocated income/(expenses), net							9,714
Unallocated interest income							4,129
Unallocated interest expenses							(60,599)
Profit before income tax expense							421,090
Income tax expense							(62,298)
Profit for the period							358,792
Reportable segment assets	5,463,830	1,080,021	770,571	3,446,837	2,393,782	1,570,562	14,725,603
Unallocated cash and cash equivalents							641,770
Corporate assets*							167,850
Total assets							15,535,223
Reportable segment liabilities	4,080,992	171,487	272,754	456,550	-	802,031	5,783,814
Unallocated borrowings							1,059,200
Corporate bonds and short-term bonds payable							1,592,680
Corporate liabilities <sup>#</sup>							218,272
Total liabilities							8,653,966

\* Corporate assets consisted of investment property, property, plant and equipment, amount due from an associate, intangible assets and prepayments and other receivables for the amounts approximately RMB66.0 million, RMB4.7 million, RMB60.3 million, RMB3.9 million and RMB32.9 million respectively.

<sup>#</sup> Other unallocated corporate liabilities consisted of deferred tax liabilities, other payables, salary payables, dividend and interest payable, accounts payable and receipts in advance for the amounts approximately RMB63.6 million, RMB43.4 million, RMB17.7 million, RMB42.6 million, RMB0.6 million and RMB50.4 million respectively.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. SEGMENT INFORMATION (Continued)

## (a) Business segment (Continued)

For the six months ended 30 June 2016 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infrastructure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Other segment information:							
Share of results of associates	-	-	-	142,510	64,095	-	206,605
Interest income	3,169	223	446	353	-	500	4,691
Interest expenses	6,045	322	5,104	590	-	10,644	22,705
Investment income and gains, net	-	-	-	106,930	-	-	106,930
Amortisation	961	10,776	-	-	-	41	11,778
Depreciation	160,897	1,607	45	-	-	332	162,881
Impairment loss on trade receivables	104	204	148	-	-	-	456
Impairment loss on loan receivables	-	-	-	-	-	302	302
Impairment loss on prepayments and other receivables	956	152	-	-	-	9	1,117
Loss on disposal of property, plant and equipment	7,232	-	-	-	-	-	7,232
Investments in associates	-	-	-	2,276,333	2,393,782	-	4,670,115
Additional to non-current assets	309,189	88,085	-	-	-	-	397,274

## (b) Geographic information

Geographical information is not presented since all of the Group's revenue from external customers is generated in the PRC. The non-current asset information is based on the location of the assets and excludes financial instruments and deferred tax assets. Nearly all of the non-current assets of the Group are located in the PRC, which is the Company's country of domicile.

## (c) Information about major customers

The Group has a number of customers and there is no significant revenue derived from specific external customers during the six months ended 30 June 2017 (2016: nil).



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**4. REVENUE**

Revenue represents the net invoiced value of goods sold, after discounts and returns; the value of services rendered; an appropriate proportion of contract revenue of construction contracts; and interest income earned from provision of finance during the six months ended 30 June 2017.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
<b>Piped gas supply:</b>		
Sale of gas fuel	2,075,354	2,004,861
Gas pipeline construction income	106,828	194,290
Gas connection income (note 29)	111,498	108,331
Sale of related products	32,238	71,540
<b>Wastewater treatment:</b>		
Operations income	64,732	77,671
Financial income	15,830	16,397
<b>Public infrastructure projects:</b>		
Operations income	7,359	7,413
Financial income	18,319	21,274
<b>Financial services:</b>		
Interest income and related revenue	10,083	10,907
Financial leasing related income	38,179	31,341
	<b>2,480,420</b>	<b>2,544,025</b>

**5. OTHER INCOME AND GAINS**

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Bank interest income	13,229	6,543
Other interest income	–	2,277
Government grants	3,707	4,568
Loss on disposal of property, plant and equipment	(8,040)	(7,240)
Rental income	5,582	5,141
Others	648	1,665
	<b>15,126</b>	<b>12,954</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**6. BUSINESS ACQUISITION IN PRIOR PERIOD**

On 29 June 2016, the Group acquired 100% of the equity interests of Shanghai Dazhong Transportation Commerce Co., Ltd. ("Shanghai Dazhong Transportation Commerce"), a company whose principal activity is provision of payment services. The acquisition was made with the aims to expand the Group's business.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	RMB'000	RMB'000
Property, plant and equipment	1,515	
Long-term prepayments	397	
Trade receivables	369	
Prepayments and other receivables	14,215	
Cash and cash equivalents	140,292	
Other current assets	372	
Other current liabilities	(60,358)	
		96,802
Cash consideration paid		(98,114)
		1,312
Cash flow:		
Cash payment		98,114
Cash and cash equivalents acquired		(140,292)
Net cash inflow arising from acquisition		(42,178)

The fair value of trade receivables amounted to approximately RMB369,000. In the opinion of the directors, no receivable is expected to be uncollectible.

The goodwill of RMB1,312,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Shanghai Dazhong Transportation Commerce has not yet recorded any revenue and profit before income tax expense. If the acquisition had occurred on 1 January 2016, Group's revenue and profit before income tax expense for the six months ended 30 June 2016 would have been RMB3,458,800,000 and RMB561,000,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material, and have been expensed and are included in administrative expenses.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 7. INVESTMENT INCOME AND GAINS, NET

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Gain/(loss) on disposal of financial assets, net:		
— Financial assets at fair value through profit or loss — held for trading	(8,125)	(4,018)
— Available-for-sale financial assets	—	(5,453)
— Government bonds	2,552	1,076
	(5,573)	(8,395)
Change in fair value of financial assets at fair value through profit or loss	10,773	(12,611)
Dividend income	66,476	121,846
Other financial income	3,542	6,090
	75,218	106,930

## 8. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on bank borrowings and corporate bonds	95,060	85,151
Less: Amounts capitalised (note)	(124)	(1,847)
	94,936	83,304

Note: Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.00% for current period, to expenditure on qualifying assets for the six months ended 30 June 2017 (2016: 4.68%).

## 9. EMPLOYEE COMPENSATION COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Wage, salaries and allowances	141,034	159,112
Retirement benefit scheme contribution	44,150	43,372
Other benefits	27,349	29,930
	212,533	232,414

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 10. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Inventories recognised as expense	1,869,273	1,675,583
Amortisation on payments for leasehold land held for own use under operating leases	1,022	1,070
Amortisation on intangible assets (included in administrative expenses and cost of sales)	9,698	11,448
Depreciation of property, plant and equipment	166,676	163,157
Depreciation of investment properties	1,099	1,099
Impairment loss on trade receivables	666	413
Written back of impairment loss/impairment loss on loan receivables	(571)	302
Impairment loss on prepayments and other receivables	105	(9,543)
Operating lease rental expenses in respect of buildings	4,091	5,758

## 11. INCOME TAX EXPENSE

The amount of income tax expense in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
PRC enterprise income tax		
— tax for the period	60,650	63,834
— under-provision in respect of prior periods	1,133	124
Hong Kong profits tax		
— tax for the period	—	—
Deferred tax (note 21)	(4,941)	(1,660)
Income tax expense	56,842	62,298

Profits of subsidiaries established in the PRC are subject to PRC enterprise income tax based on the statutory rate of 25% during the six months ended 30 June 2017 and 2016.

Profits of subsidiaries established in Hong Kong are subject to Hong Kong Profits tax at the statutory rate of 16.5% during the six months ended 30 June 2017 and 2016.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**11. INCOME TAX EXPENSE** *(Continued)*

The income tax expense can be reconciled to the profit before income tax expense per the unaudited condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax expense	<b>348,303</b>	421,090
Tax calculated at the PRC statutory rate of 25%	<b>87,076</b>	105,273
Effect of non-taxable income	<b>(11,592)</b>	(5,073)
Effect of non-deductible expenses	<b>31,490</b>	11,678
Tax effect of share of results of associates	<b>(43,263)</b>	(51,651)
Utilisation of tax losses previously not recognised	<b>(2,249)</b>	(9,733)
Tax effect of tax losses not recognized	<b>–</b>	9,775
Tax effect on changes on fair value of financial assets, impairment loss on assets and timing difference on employee benefits	<b>(3,598)</b>	2,675
Effect of tax exemptions granted to a subsidiary (note)	<b>(2,155)</b>	(770)
(Over)/under-provision in respect of prior periods	<b>1,133</b>	124
Income tax expense	<b>56,842</b>	62,298

Note: According to the relevant PRC Enterprise Income Tax Law, Xuzhou Dazhong Water Operation Co., Ltd., a subsidiary of the Group, is approved by the Jiangsu Provincial Donghai County National Tax Authority to enjoy a 50% reduction of enterprise income tax for the years from 2014 to 2016.

According to the relevant PRC Enterprise Income Tax Law, the phase III project of Dazhong Jiading Sewage., a subsidiary of the Group, was approved by the Shanghai District County National Tax Authority to enjoy a 100% reduction of enterprise income tax for the years from 2016 to 2018, and a 50% deduction of enterprise income tax for the years from 2019 to 2021.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 12. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend	-	-

2016 dividend paid in the amount of RMB177,146,000 (2015: RMB148,038,000) showed in the unaudited condensed consolidated statement of changes in equity on page 61 represented the final dividend of RMB0.06 (2015: RMB0.06) per ordinary share proposed and paid for the year ended 31 December 2016. No interim dividend was proposed or declared for the six months ended 30 June 2017 and 2016.

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (RMB'000)	<b>202,735</b>	300,083
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>2,949,961,913</b>	2,467,304,675

The weighted average number of ordinary shares for the purposes of basic earnings per share has been adjusted for the over-allotment (as described in note 31).

The diluted earnings per share is equal to the basic earnings per share because the Company had no dilutive potential shares outstanding for all periods presented.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Gas pipelines and machinery RMB'000	Equipment, furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
At 1 January 2016	197,897	14,634	59,314	6,006,330	50,829	647,804	6,976,808
Additions	3,095	3,434	2,543	2,289	1,053	806,044	818,458
Acquired through business combination	-	30	6	1,416	63	-	1,515
Transfer of construction in progress	318	-	6,496	674,430	2,447	(683,691)	-
Transfer to intangible assets (note 15)	(47,388)	-	-	(14,366)	-	(174,004)	(235,758)
Disposals of subsidiaries	-	-	(203)	-	-	(12,263)	(12,466)
Disposals	-	(2,118)	(7,345)	(101,270)	(3,825)	(47,627)	(162,185)
At 31 December 2016 and 1 January 2017	153,922	15,980	60,811	6,568,829	50,567	536,263	7,386,372
Additions	316	200	202	1,016	384	267,455	269,573
Transfer of construction in progress	-	-	40	126,940	121	(127,101)	-
Transfer to intangible assets (note 15)	-	-	-	-	-	(631)	(631)
Written off	(1,800)	-	(2,463)	(47,771)	(7,296)	-	(59,330)
At 30 June 2017	152,438	16,180	58,590	6,649,014	43,776	675,986	7,595,984
<b>Accumulated depreciation and impairment</b>							
At 1 January 2016	72,554	9,729	25,730	2,444,641	33,785	-	2,586,439
Charge for the year	5,291	1,694	5,671	312,135	4,107	-	328,898
Transfer to intangible assets (note 15)	(11,795)	-	-	(10,227)	-	-	(22,022)
Disposals of subsidiaries	-	-	(48)	-	-	-	(48)
Written back on disposals	-	(211)	(6,385)	(87,123)	(3,636)	-	(97,355)
At 31 December 2016 and 1 January 2017	66,050	11,212	24,968	2,659,426	34,256	-	2,795,912
Charge for the period	2,431	1,083	2,891	158,198	2,073	-	166,676
Written back on disposals	(1,050)	-	(1,888)	(34,387)	(6,999)	-	(44,324)
At 30 June 2017	67,431	12,295	25,971	2,783,237	29,330	-	2,918,264
<b>Net book value</b>							
At 31 December 2016 (Audited)	87,872	4,768	35,843	3,909,403	16,311	536,263	4,590,460
At 30 June 2017 (Unaudited)	85,007	3,885	32,619	3,865,777	14,446	675,986	4,677,720

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 15. INTANGIBLE ASSETS

	Wastewater treatment concession rights RMB'000 (note)	Computer software RMB'000	Technical knowhow RMB'000	Total RMB'000
<b>Cost</b>				
At 1 January 2016	247,398	10,516	5,646	263,560
Additions	31,279	74	–	31,353
Transfer from property, plant and equipment (note 14)	213,736	–	–	213,736
Disposal of subsidiaries	(59,107)	–	–	(59,107)
At 31 December 2016 and 1 January 2017	433,306	10,590	5,646	449,542
Transfer from property, plant and equipment (note 14)	631	–	–	631
Additions	56	92	–	148
At 30 June 2017	433,993	10,682	5,646	450,321
<b>Accumulated amortisation and impairment</b>				
At 1 January 2016	69,456	4,916	5,646	80,018
Charge for the year	22,067	767	–	22,834
Disposal of subsidiaries	(14,806)	–	–	(14,806)
At 31 December 2016 and 1 January 2017	76,717	5,683	5,646	88,046
Charge for the period	9,325	373	–	9,698
At 30 June 2017	86,042	6,056	5,646	97,744
<b>Net book value</b>				
At 31 December 2016 (Audited)	356,589	4,907	–	361,496
At 30 June 2017 (Unaudited)	347,951	4,626	–	352,577

Before the year ended 31 December 2016, certain property, plant and equipment (the "Construction") of the Group used in the wastewater treatment are not required to be transferred to the grantor. During the year ended 31 December 2016, the Group obtained concession rights from the local government authority, and agreed that the Construction will be transferred to the grantor at the end of the concession period. As such, a carrying amount of approximately RMB213,736,000 of the Construction fall into the definition of IFRIC 12 "Service Concession Arrangements" and was transferred from property, plant and equipment to intangible assets accordingly.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**15. INTANGIBLE ASSETS** *(Continued)*

Note:

The Group's service concession arrangements are concession arrangements for wastewater treatment plants with various local government authorities in the PRC under IFRIC 12 "Service Concession Arrangements". The concession rights arose from six wastewater treatment plants located in different cities in the PRC, namely Jiading, Sanbahe, Jiawang, Peixian, Pizhou and Lianyungang. Except for the wastewater plant in Pizhou which is operated under Transfer-Operate-Transfer (the "TOT") arrangement, the rest are operated under Build-Operate-Transfer (the "BOT") arrangements.

For wastewater treatment plants that are operated under BOT arrangements, the Group (the operator) was granted rights to construct, operate and maintain those wastewater plants for a period of 20 to 30 years. The operator has the obligation to treat the required amount of wastewater and also to ensure the treated water fulfills the standard quality requirements of the grantor. The service fees are based on the extent of services rendered and subject to the approval from the relevant local government authorities. The infrastructure of the wastewater treatment plant, including the plant and equipment, know-how, operations manual, hand-over report, design of infrastructure and related documents and any significant residual interest for the wastewater treatment plant, will be transferred to the grantor or any grantor appointed agencies at the end of the concession period at nil or minimal consideration. The operator has the obligation to maintain and restore the wastewater treatment plants to their operational condition upon transferring to the grantor at the end of the concession period. These BOT arrangements do not contain renewal options. The arrangements will be early terminated only when a party breaches the relevant contracts or due to unforeseeable circumstances. All the operating rights of the above BOT arrangements are recognised as "intangible assets" in the unaudited condensed consolidated financial statements.

For wastewater treatment plant in Pizhou, which is operated under TOT arrangement, the operator acquired the plant and was granted rights to operate and maintain the plant for a period of 30 years. The operator has the obligation to treat the required amount of wastewater and also to ensure the treated water fulfills the standard quality requirements of the grantor. The service fees are based on the extent of services rendered and subject to the approval from the relevant local government authority. The infrastructure of the wastewater treatment plant, including the plant and equipment, know-how, operations manual, hand-over report, design of infrastructure and related documents and any significant residual interest for the wastewater treatment plant, will be transferred to the grantor or any grantor appointed agencies at the end of the concession period at nil consideration. The operator has the obligation to maintain and restore the wastewater treatment plant to its operational condition upon transferring to the grantor at the end of the concession period. The TOT arrangement does not contain renewal options. The arrangement will be early terminated only when a party breaches the contract or due to unforeseeable circumstances. The operating rights of the above TOT arrangement are recognised as "intangible assets" in the unaudited condensed consolidated financial statements.

On 14 July 2016, two subsidiaries of the Group which were engaged in wastewater treatment business were disposed. The relevant wastewater treatment concession rights in Pizhou and Jiawang District which is located in Xuzhou City in aggregate of RMB44,301,000 were derecognised during the year 2016. As at 30 June 2017 and 31 December 2016, the Group only kept four wastewater treatment plants under BOT arrangements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 16. INVESTMENTS IN ASSOCIATES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Share of net assets	4,933,606	4,461,515
Goodwill	233,910	222,971
	<b>5,167,516</b>	4,684,486

Details of the Group's associates at 30 June 2017 are as follows:

Name of company	Date and place of incorporation/ registration and place of operations	Registered capital (RMB)	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
大眾交通（集團）股份有限公司 <sup>(1)(3)</sup> Dazhong Transportation (Group) Co., Ltd. ("Dazhong Transportation Group")	24 December 1988 PRC/PRC	2,364,122,864	19.82	6.38	Public transportation
深圳市創新投資集團有限公司 <sup>(1)(2)</sup> Shenzhen Capital Group Co., Ltd.	26 August 1999 PRC/PRC	4,202,249,520	13.93	–	Investment holding and provision of financial consultation and assets management services
上海電科智能系統股份有限公司 <sup>(1)</sup> Shanghai Dianke Intelligence Systems Inc.	12 December 2007 PRC/PRC	100,000,000	28	–	Provision of products and services for smart transportation solution
上海杭信投資管理有限公司 <sup>(1)(2)</sup> Shanghai Hangxin Investment Management Co., Ltd.	22 April 2004 PRC/PRC	255,600,000	16.13	–	Investment business
上海興樺創業投資有限公司 <sup>(1)</sup> Shanghai Xingye Venture Capital Co., Ltd. ("Xingye Venture Capital")	4 June 2008 PRC/PRC	40,000,000	20	–	Investment business

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 16. INVESTMENTS IN ASSOCIATES (Continued)

Name of company	Date and place of incorporation/ registration and place of operations	Registered capital (RMB)	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
上海徐匯昂立小額貸款股份有限公司 <sup>(1)</sup> Shanghai Xuhui Onlly Micro-credit Co., Ltd. ("Xuhui Onlly Micro-credit")	3 November 2012 PRC/PRC	150,000,000	20	–	Micro-credit services
蘇創燃氣股份有限公司 <sup>(4)</sup> (Suchuang Gas Corporation Limited) ("Suchuang Gas")	4 July 2013 Cayman Islands/PRC	50,000,000	–	19.76	Sale of gas, provision of gas transmission and gas pipelines construction and installation
邳州源泉水務運營有限公司 <sup>(1)(5)</sup> Pizhou Fountainhead Water Operation Co., Ltd. ("Pizhou Fountainhead")	2 December 2004 PRC/PRC	4,800,000	–	39.2	Wastewater treatment operations
徐州源泉污水處理有限公司 <sup>(1)(5)</sup> Xuzhou Fountainhead Sewage Co., Ltd. ("Xuzhou Fountainhead")	19 December 2007 PRC/PRC	5,800,000	–	39.2	Wastewater treatment operations
上海華燦股權投資基金合夥企業(有限合夥) <sup>(1)(6)</sup> Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership)	10 March 2017 PRC/PRC	830,000,000	60.24	–	Investment fund

## Notes:

- The English names of the associates registered in the PRC represents the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.
- The Group held, directly or indirectly through its subsidiaries, less than 20% of the voting rights of these entities.  
Nevertheless, the Directors concluded that the Group has significant influence over these entities and these entities are therefore accounted for as associates using equity method.
- During the six months ended 30 June 2017, the Group acquired additional equity interests of 0.44% (31 December 2016: 1.80%) in Dazhong Transportation Group.
- During the year ended 31 December 2016, the Group acquired equity interest of 19.76% in Suchuang Gas through its subsidiary, Dazhong Hong Kong.
- These entities were originally subsidiaries of the Group. Subsequent to the disposal on 4 July 2016, then they become associates of the Group.
- During the six months ended 30 June 2017, the Group entered to a Partnership agreement to set up a fund for investing purpose. However, Limited Partner is restricted to participate in any investing and operating activities only and thus the Group has no controlling powder over this investment fund. The power and operation authority were delegated to General Partner. Thus, the Group considered that it only has significant influence and classified this Partnership as an associate.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Non-current investments</b>		
— Listed debt investments	18,652	18,104
— Listed equity investments	418,543	460,213
— Unlisted equity investments (note)	809,477	368,903
	<b>1,246,672</b>	847,220
Less: Allowance for impairment losses	(55,231)	(55,231)
	<b>1,191,441</b>	791,989
<b>Current investments</b>		
— Investment-linked deposits*	180,084	160,000

\* These investment-linked deposits products were provided by the PRC banking institutions with guaranteed rates of return at fixed periods of terms within 3 months generally. The directors assessed that (i) the fair value of embedded derivative of these deposits was insignificant and accordingly such embedded derivative had not been separately recognised; and (ii) the cost of these deposits is approximated to their fair value, given that these deposits were with guaranteed rates of return and short maturities of within 3 months generally.

Note:

The unlisted equity instruments held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each of the reporting periods. The Group assessed, at the end of each of the reporting periods, whether there was any objective evidence that the unlisted equity investments were impaired. The steps taken by the directors in assessing whether such objective evidence existed mainly include (i) obtaining information about whether there were significant changes with an adverse effect that had taken place in the technological, market, economic or legal environment in which the investees operated, such as structural changes in the industries in which the investees operate, changes in the level of demand for the goods or services sold by the investees resulting from product obsolescence, changes in the political or legal environments affecting the business of the investees; and (ii) whether there was any observable data that came to the attention of the Group about loss events such as changes in the investee's financial condition evidenced by changes in its liquidity, credit rating, profitability, cash flows, debt/equity ratio and level of dividend payment of the investees, that indicates that the cost of the investments might not be recovered. When there was objective evidence that any such individual asset was impaired, the amount of impairment loss was measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

In the opinion of the directors, non-current available-for-sale financial assets are not expected to be realised within one year from the end of respective reporting periods.

During the six months ended 30 June 2017, the Group held, directly or indirectly through its subsidiaries, 20% or more of the voting rights of certain entities accounted for as available-for-sale financial assets. Nevertheless, the directors concluded that the Group does not have significant influence over these entities and these entities are therefore accounted for as available-for-sale financial assets measured at cost less impairment.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 18. TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade and bills receivables		
— Trade receivables	315,276	351,652
— Bills receivables	—	4,150
	<b>315,276</b>	355,802
Less: Allowance for impairment losses	<b>(20,528)</b>	(19,862)
Current portion	<b>294,748</b>	335,940
Non-current: retention sum for construction contracts (note)	<b>467,475</b>	463,337
	<b>762,223</b>	799,277

The Group's trading terms with its customers are mainly on credit. The credit period is generally within 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Although the Group's trade receivables relate to a number of customers, there is concentration of credit risk. The trade receivables from the five largest debtors as at 30 June 2017 represented 19.68% (31 December 2016: 26.46%) of total trade receivables, while 11.22% (31 December 2016: 11.53%) of the total receivables were due from the largest debtor.

An aged analysis of the trade and bills receivables of the Group, excluding the retention receivables, as at the end of reporting period, based on the invoice date, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	279,926	327,088
1 to 2 years	12,436	6,929
2 to 3 years	3,549	2,962
3 to 4 years	2,237	2,336
4 to 5 years	1,854	1,764
Over 5 years	15,274	14,723
	<b>315,276</b>	355,802
Less: Allowance for impairment losses	<b>(20,528)</b>	(19,862)
	<b>294,748</b>	335,940

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**18. TRADE AND BILLS RECEIVABLES** (Continued)

The aged analysis of the trade and bills receivables from third parties of the Group, excluding the retention receivables, that are not individually nor collectively considered to be impaired is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	208,494	301,986
Within 1 year past due	68,753	22,189
1 to 2 years past due	11,814	6,582
2 to 3 years past due	3,194	2,666
3 to 4 years past due	1,566	1,635
4 to 5 years past due	927	882
	<b>294,748</b>	335,940

Note: The amounts include retention sum for construction contracts which represents retention receivables due from customers upon completion of the free maintenance period of the construction work, which normally last from 5 to 15 years. As at 30 June 2017 and 31 December 2016, retention receivables are neither past due nor impaired.

Receivables from third parties that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The below table reconciles the impairment loss of trade receivables:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	19,862	19,259
Impairment loss recognised	666	603
At end of the period/year	<b>20,528</b>	19,862

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 19. LEASE RECEIVABLES

As 30 June 2017, the breakdown of lease receivables in connection with the provision of financial leasing to its customers by a wide array of assets under finance lease arrangements, such as motor vehicles, machinery, solar equipment and hotel equipment financial leasing arrangements, is as follows:

	Motor vehicles RMB'000 (Unaudited)	Machinery RMB'000 (Unaudited)	Solar equipment RMB'000 (Unaudited)	Hotel equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Lease receivables	49,185	650,945	241,330	85,082	1,026,542
Less: Unearned finance income	(3,554)	(83,868)	(13,238)	(7,036)	(107,696)
	45,631	567,077	228,092	78,046	918,846

An aged analysis of lease receivables as at 30 June 2017, determined based on the age of the receivables since the effective dates of the relevant lease contracts, is as follows:

	Lease receivables RMB'000 (Unaudited)	Unearned finance income RMB'000 (Unaudited)	Net lease receivables RMB'000 (Unaudited)
Within 1 year	500,038	(59,925)	440,113
1 to 2 years	276,214	(29,801)	246,413
2 to 3 years	153,342	(12,578)	140,764
3 to 4 years	68,600	(4,830)	63,770
4 to 5 years	28,348	(562)	27,786
	1,026,542	(107,696)	918,846
Less: Non-current portion	(526,504)	47,771	(478,733)
Current portion	500,038	(59,925)	440,113

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**19. LEASE RECEIVABLES** (Continued)

As 31 December 2016, the breakdown of lease receivables in connection with the provision of financial leasing to its customers by a wide array of assets under finance lease arrangements, such as motor vehicles, machinery and solar equipment financial leasing arrangements, is as follows:

	Motor vehicles RMB'000 (Audited)	Machinery RMB'000 (Audited)	Solar equipment RMB'000 (Audited)	Hotel equipment RMB'000 (Audited)	Total RMB'000 (Audited)
Lease receivables	67,383	540,468	407,005	107,026	1,121,882
Less: Unearned finance income	(6,380)	(79,560)	(34,223)	(10,787)	(130,950)
	61,003	460,908	372,782	96,239	990,932

An aged analysis of lease receivables as at 31 December 2016, determined based on the age of the receivables since the effective dates of the relevant lease contracts is as follows:

	Lease receivables RMB'000 (Audited)	Unearned finance income RMB'000 (Audited)	Net lease receivables RMB'000 (Audited)
Within 1 year	446,665	(70,980)	375,685
1 to 2 years	399,750	(37,452)	362,298
2 to 3 years	167,359	(14,581)	152,778
3 to 4 years	60,757	(6,251)	54,506
4 to 5 years	47,351	(1,686)	45,665
	1,121,882	(130,950)	990,932
Less: Non-current portion	(675,217)	59,970	(615,247)
Current portion	446,665	(70,980)	375,685

Lease receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the end of reporting periods is the carrying value of the receivables mentioned above. The fair value of financial or non-financial assets accepted as collaterals that the Group is permitted to sell or re-pledge in the absence of default is RMB1,737,153,000 (31 December 2016: RMB1,561,460,000).



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 20. AMOUNT DUE FROM GRANTOR

A profile of the amount due from grantor as at the end of the reporting periods, based on the due date, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Due within 1 year	35,773	34,847
Non-current portion	600,020	618,369
	<b>635,793</b>	653,216

The credit quality of amount due from grantor that is neither past due nor impaired has been assessed by reference to historical information about counterparty default rate. The existing counterparty did not default in the past.

The Group recognised financial asset — amount due from grantor in respect of its public infrastructure projects arising from a BOT arrangement. The significant aspects of the service concession arrangement are summarised as follows:

- (a) The Group entered into a service concession arrangement with the local government authority (i.e. the grantor) for the Xianyin Road Tunnel construction and operation of which is located in Shanghai, the PRC for a concession period of 25 years. Pursuant to the service concession arrangement, the Group has to design, construct and operate the Xianyin Road Tunnel, and has the obligation to maintain the Xianyin Road Tunnel in good condition. The Group will be paid for its services over the service concession period at prices stipulated through a pricing mechanism. Upon expiry of the concession period, the Xianyin Road Tunnel and the related facilities will be transferred to the grantor at nil consideration.

The service concession arrangement does not contain any renewal options. The standard rights of the grantor to terminate include failure of the Group to construct and operate the Xianyin Road Tunnel and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the arrangement include failure to receive payments for road and tunnel service from the grantor and in the event of a material breach of the terms of the agreement.

- (b) The public infrastructure projects with financial receivables amounting to RMB635,793,000 (31 December 2016: RMB653,216,000) as at 30 June 2017 are pledged to secure the loans taken up by the Group (note 25).

Amount due from grantor is in respect of revenue from construction services under BOT arrangement and bears interest at a rate of 5.4% per annum (2016: 5.4%). The amount was not yet due for payment at the end of each of the reporting periods and will be settled by revenue to be generated during the operating periods of the BOT arrangement.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 21. DEFERRED TAX ASSETS/(LIABILITIES)

The components and movements in deferred tax liabilities and assets during the six months ended 30 June 2017 are as follows:

	Impairment of assets RMB'000	Provision RMB'000	Fair value changes of available- for-sale financial assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016 (Audited)	399	4,171	(99,134)	(6,078)	(100,642)
Credited/(charged) to profit or loss	237	(47)	(3)	877	1,064
Credited to other comprehensive Income	–	–	21,794	(946)	20,848
At 31 December 2016 and 1 January 2017 (Audited)	<b>636</b>	<b>4,124</b>	<b>(77,343)</b>	<b>(6,147)</b>	<b>(78,730)</b>
Credited/(charged) to profit or loss	<b>58</b>	<b>449</b>	<b>2,693</b>	<b>1,741</b>	<b>4,941</b>
Credited to other comprehensive Income	–	–	<b>7,713</b>	<b>2,702</b>	<b>10,415</b>
At 30 June 2017 (Unaudited)	<b>694</b>	<b>4,573</b>	<b>(66,937)</b>	<b>(1,704)</b>	<b>(63,374)</b>

For the purpose of presentation in the unaudited condensed consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deferred tax assets	<b>25,247</b>	20,495
Deferred tax liabilities	<b>(88,621)</b>	(99,225)
	<b>(63,374)</b>	(78,730)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**21. DEFERRED TAX ASSETS/(LIABILITIES)** *(Continued)*

Deferred tax assets have not been recognised for the following:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deductible temporary differences	222,094	242,310
Unused tax losses	411,387	308,122
	<b>633,481</b>	550,432

No deferred tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

Tax losses unrecognised as deferred tax assets that will expire in:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
2017	7,107	7,107
2018	79,409	79,740
2019	12,761	13,340
2020	8,254	8,323
2021	179,066	199,612
2022	124,790	–
	<b>411,387</b>	308,122

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 22. LOAN RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Loan receivables	190,215	232,800
Less: Allowance for impairment losses	(7,344)	(7,915)
	<b>182,871</b>	224,885

The Group's loan receivables, which arise from the micro-credit business of providing loans in the PRC, are denominated in RMB.

Loan receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the end of reporting periods is the carrying value of the receivables mentioned above. The fair value of financial or non-financial assets accepted as collaterals that the Group is permitted to sell or re-pledge in the absence of default is RMB311,817,000 as at 30 June 2017 (31 December 2016: RMB338,537,000).

An aging analysis of loan receivables (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	125,136	122,364
Less than 1 year past due	18,620	57,635
Over 1 year past due	39,115	44,886
	<b>182,871</b>	224,885

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**22. LOAN RECEIVABLES** *(Continued)*

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	126,400	149,100
1 to 2 years	19,000	33,000
2 to 3 years	44,815	50,700
	<b>190,215</b>	232,800

The below table reconciles the impairment loss of loan receivables:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	7,915	7,389
Written back on impairment loss/impairment loss recognised	(571)	526
At end of the period/year	<b>7,344</b>	7,915

**23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Listed equity investments	60,852	72,541
Listed debt investments	1,736	1,562
	<b>62,588</b>	74,103

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Cash and bank balances	3,518,675	3,417,733
Less: Pledged short-term deposits	(422,621)	(159,000)
Cash and cash equivalents	<b>3,096,054</b>	3,258,733

Cash and banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

As at 30 June 2017, deposits were pledged to secure a bank loan. As at 31 December 2016, pledged deposits represent deposits pledged to banks to secure bank loans granted to the Group.

RMB is not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 25. BORROWINGS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Current portion</b>		
Secured bank loans	541,716	537,296
Unsecured bank loans	2,178,679	1,407,375
	<b>2,720,395</b>	1,944,671
<b>Non-current portion</b>		
Secured bank loans	28,000	14,550
Unsecured bank loans	366,219	363,605
	<b>394,219</b>	378,155
Total borrowings	<b>3,114,614</b>	2,322,826
Bank loan interest at rate per annum in the range of	<b>1.88% to 5.00%</b>	0.93% to 5.00%

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 25. BORROWINGS (Continued)

Total current and non-current bank borrowings were scheduled to repay as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
On demand or within one year	2,720,395	1,944,671
More than one year, but not exceeding two years	268,148	145,043
More than two years, but not exceeding five years	126,071	233,112
	<b>3,114,614</b>	2,322,826

The carrying amounts of the Group's current interest-bearing bank loans approximate to their fair values.

The Group's interest-bearing bank loans are secured by the pledges of the following assets with carrying values at the end of the reporting periods as follows:

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Pledge of assets:</b>			
Available-for-sale financial assets	(i)	18,651	18,104
Financial assets at fair value through profit or loss	(i)	60,747	74,066
Amount due from grantor	(ii)	635,792	653,216
Investments in associates	(iii)	–	590,073
Pledged deposits	(iii)	420,921	158,000

Notes:

- (i) Bank loans amounting to RMB4,263,000 (31 December 2016: RMB21,730,000) as at 30 June 2017 were secured by available-for-sale financial assets and financial assets at fair value through profit or loss in note 17 and note 23 respectively.
- (ii) Bank loans amounting to RMB157,000,000 (31 December 2016: RMB185,000,000) as at 30 June 2017 were secured by the amount due from grantor in note 20.
- (iii) A bank loan amounting to USD62,134,000 as at 30 June 2017 was secured by pledged deposits (31 December 2016: USD49,750,000 was secured by 72 million shares of Dazhong Transportation Group and pledged deposits) in note 24.

At 30 June 2017, the Company has issued guarantees to banks to secured banking facilities granted to certain subsidiaries to the extent of RMB3,800,000,000 (31 December 2016: RMB2,500,000,000). The aforesaid bank loans outstanding as at 30 June 2017 were RMB700,997,000 (31 December 2016: RMB1,002,699,000).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**25. BORROWINGS** (Continued)

Most of the Group's bank borrowings agreements provide that without the lending banks' prior written consent, the Group cannot conduct reorganisations, mergers, consolidations, changes of major equity holders, changes of business model, transfer or sale of major assets, investments, guarantees, substantial increases of debt or other actions that may affect the Group's ability to repay the loans.

Included in unsecured loans were loan from a fellow subsidiary of Shanghai Gas Group, one of the shareholders of the Company, amounting to RMB300,000,000 (31 December 2016: RMB300,000,000) as at 30 June 2017. The balance was unsecured, interest bearing at interest rates of 3.92% (31 December 2016: 3.92%) per annum and repayable within one year (31 December 2016: one year).

The Group has aggregated banking facilities of RMB7,460,157,000 (31 December 2016: RMB6,846,782,000) acquired from the bankers, of which RMB3,114,614,000 (31 December 2016: RMB2,322,826,000) was utilised and RMB4,345,543,000 (31 December 2016: RMB4,523,956,000) was unutilised as at 30 June 2017.

**26. CORPORATE BONDS AND SHORT-TERM BONDS PAYABLE****Corporate bonds**

As approved by the China Securities Regulatory Commission document [2011] No. 2079, the Company issued domestic corporate bonds with an aggregate principal amount of RMB1.6 billion on 6 January 2012. The bonds mature in six years and bear interest at a benchmark interest rate (based on the National Interbank Funding Center released interest rate) plus an interest margin of 2.95% per annum.

The corporate bonds are stated at amortised cost. Interest is payable once every six months.

The corporate bonds recognised in the unaudited condensed consolidated statement of financial position are calculated as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	1,595,052	1,590,465
Add: Interest expense	49,411	94,425
Less: Interest paid	(47,029)	(89,838)
At end of the period/year	1,597,434	1,595,052

**Short-term bonds**

In 2016, as approved by the National Association of Financial Market Institutional Investors [2016] No. SCP251, the Company issued short-term bonds with an aggregate principal amount of RMB300 million on 23 June 2016. The bonds mature in 270 days and bear interest at a benchmark interest rate (based on the National Interbank Funding Center released interest rate) plus an interest margin of 2.90% per annum. During the six months ended 30 June 2017, the 2016-short-term bond was matured and repaid.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**26. CORPORATE BONDS AND SHORT-TERM BONDS PAYABLE** (Continued)**Short-term bonds** (Continued)

In 2017, as approved by the National Association of Financial Market Institutional Investors [2016] No. SCP251, the Company issued short-term bonds with an aggregate principal amount of RMB500 million on 24 February 2017. The bonds mature in 180 days and bear interest at interest rate of 4.43% per annum payable upon maturity.

The short-term bonds are stated at amortised cost. Interest is payable at due day.

The short-term bonds recognised in the unaudited condensed consolidated statement of financial position are calculated as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	302,417	–
Repayment of short-term bond	(300,000)	–
Issued during the period/year	500,000	300,000
Add: Interest expense	11,666	2,417
Less: Interest paid	(6,436)	–
At end of the period/year	<b>507,647</b>	302,417

**27. TRADE AND BILLS PAYABLES**

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables		
— Shanghai Gas Group	895,414	738,468
— Third parties	381,756	551,061
	<b>1,277,170</b>	1,289,529

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**27. TRADE AND BILLS PAYABLES** (Continued)

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	1,264,646	1,275,151
1 to 2 years	5,581	7,432
2 to 3 years	405	244
Over 3 years	6,538	6,702
	<b>1,277,170</b>	<b>1,289,529</b>

**28. OTHER PAYABLES**

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Current portion</b>		
Deposits received, other payables and accruals	551,678	758,815
Amount due to Shanghai Gas Group	20,091	20,091
Receipt in advance	138,395	133,017
Salary payables	49,908	81,697
Interest payables	45,753	2,563
Dividend payables	178,057	911
Deferred government grants	272	272
	<b>984,154</b>	<b>997,366</b>
<b>Non-current portion</b>		
Amount due to Shanghai Gas Group	37,310	37,310
Finance lease deposits received	189,259	130,685
Deferred government grants	107,442	107,578
	<b>334,011</b>	<b>275,573</b>
	<b>1,318,165</b>	<b>1,272,939</b>

Other payables are non-interest-bearing.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 29. DEFERRED INCOME

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
At beginning of the period/year	1,327,471	1,281,482
Additions	108,563	264,101
Released to profit or loss	(111,498)	(218,112)
At end of the period/year	1,324,536	1,327,471
Analysed into:		
Current	210,306	210,633
Non-current	1,114,230	1,116,838
At end of the period/year	1,324,536	1,327,471

Deferred income represents the fees received from customers in advance in exchange for the connection of gas pipelines to the natural gas pipeline network. These fees are received upfront and revenue is recognised over ten years.

As at 30 June 2017, the deferred income included an amount of RMB139,434,000 (31 December 2016: RMB139,434,000) which was related to the balance of fees received from customers in advance in exchange for the connection of gas pipelines to the natural gas pipeline network at the time when the 50% equity interests of Dazhong Gas was transferred from Shanghai Municipal Assets Management Company (上海市政資產經營公司) to the Company pursuant to a share transfer agreement in 2001. This balance remained unsettled as there was a dispute as to the ownership of such balance and the related interest income of RMB8,944,000 (31 December 2016: RMB8,944,000) which was accounted for as "other payables".

## 30. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognized losses	330,806	289,334
Progress billings	(844,434)	(807,145)
	(513,628)	(517,811)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 31. SHARE CAPITAL

	Number of A shares	Number of H shares	Total Number of ordinary shares	Authorised shares RMB'000	Issued and paid shares RMB'000
As 1 January 2016	2,467,304,675	–	2,467,304,675	2,467,305	2,467,305
Issue of H shares at RMB1 per share (note i)	–	435,400,000	435,400,000	435,400	435,400
Transfers of A shares to H shares (note i)	(43,540,000)	43,540,000	–	–	–
As 31 December 2016 and 1 January 2017	2,423,764,675	478,940,000	2,902,704,675	2,902,705	2,902,705
Issue of H shares at RMB1 per share (note ii)	–	49,730,000	49,730,000	49,730	49,730
Transfers of A shares to H shares (note ii)	(4,973,000)	4,973,000	–	–	–
At 30 June 2017	2,418,791,675	533,643,000	2,952,434,675	2,952,435	2,952,435

Notes:

- (i) On 5 December 2016, the Company successfully listed on the Main Board of SEHK and issued 435,400,000 new shares of H shares at offering price of HKD3.60 per H share and in the meantime, converted 43,540,000 A shares to 43,540,000 H shares. As at result, the Company has increased an aggregated 478,940,000 H shares and decreased 43,540,000 A shares immediately after the completion of the transaction. As at 31 December 2016, the Company had 478,940,000 H shares and 2,423,764,675 A shares respectively. The H shares rank pari passu in all respects with the existing A shares including the rights to receive all dividends and distribution declared and made.
- (ii) On 9 January 2017, 49,730,000 H shares were issued by the Company pursuant to the partial exercise of over-allotment option and 4,973,000 H shares were converted from the Company's A shares transferred to National Council for Social Security Fund of the PRC in accordance with the relevant PRC regulations regarding reduction of state-owned shares upon the exercise of the partial over-allotment option. As a result, the Company has increased an aggregated 54,703,000 H shares and decreased 4,973,000 A shares immediately after completion of the transaction. As at 30 June 2017, the Company has 533,643,000 H Shares and 2,418,791,675 A shares respectively.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 32. COMMITMENTS

## (a) Operating lease commitments

*Operating leases — lessee*

Except for the prepaid premium for land leases, the Group leases certain of its land and buildings and office premises under operating lease arrangements. Leases for land and buildings and office premises are for terms ranging from 1 to 15 years.

The total future minimum lease payments under non-cancellable operating leases, which the Group is a lessee are as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within one year	711	694
In the second to fifth year	3,018	2,980
After the fifth year	5,499	5,899
	<b>9,228</b>	9,573

*Operating leases — lessor*

As the end of each reporting date, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the investment properties and equipments are as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within one year	5,234	5,662
In the second to fifth year	17,922	16,563
After the fifth year	17,597	18,302
	<b>40,753</b>	40,527

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 32. COMMITMENTS (Continued)

## (b) Capital commitments

Capital commitments not provided for in the unaudited condensed consolidated financial statements were as follows:

	Notes	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
In respect of:			
Share transfer agreement	(i)	12,727	51,678
Capital injection in a subsidiary	(ii)	–	10,000

Notes:

- (i) A subsidiary of the Group, namely 上海大眾集團資本股權投資有限公司 (“the Buyer”), engaged in a share transfer agreement with 上海東方傳媒集團有限公司 (“the Seller”) on 29 April 2010 to acquire the partial of the shares held by the Seller of 華人文化產業股權投資(上海)中心有限合夥 at the consideration price of RMB250,000,000. According to the condition of the mutual agreement, the full amount should be paid upon the completion of the registration of the transfer of shares. As at 30 June 2017, the Group in aggregate has paid RMB237,273,000 (2016: RMB198,322,000) by installments and all shareholders have paid according to the equity interest proportion. The remaining balance of RMB12,727,000 (2016: RMB51,678,000) will be paid together with other shareholders in accordance with equity interest proportion for further investment needs.
- (ii) On 12 July 2016, the Company set up a new company in Shanghai namely Shanghai Zhongong Information Service Co., Ltd. (上海眾貢信息服務有限公司) with registered capital of RMB10,000,000. During the six months ended 30 June 2017, capital injection was fully completed.

## 33. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2017, the Group entered into the following significant transactions with its related parties as follows:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<i>Shanghai Gas Group</i>		
Purchase of piped gas	1,556,546	1,450,223
Rental expenses	2,480	3,000
<i>Associates</i>		
Interest income	–	2,413
Rental expenses	2,236	2,186
<i>Shanghai Gas Group's affiliate</i>		
Interest expense	4,921	5,373

The above transactions were conducted in the normal course of the Group's business and were determined based on mutually agreed prices and terms with reference to the market price at the time of the transaction.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**33. RELATED PARTY TRANSACTIONS** (Continued)**Key management remuneration**

The Group considered the directors, supervisors and others as key management.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries and other benefits	12,437	12,681
Pension scheme contributions	651	612
<b>Total compensation paid to key management personnel</b>	<b>13,088</b>	13,293

As the end of each reporting date, apart from the disclosures already made in investments in associates, trade and bills payable and other payables in notes 16, 27 and 28 respectively, the balances with its related parties are listed as follows:

		As at	As at
		30 June	31 December
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Audited)
<i>Prepayment</i>			
Dazhong Building	(i)	140	145
<i>Dividend receivables</i>			
Xuhui Onlly Micro-credit	(ii)	–	876
<i>Other receivables</i>			
Pizhou Fountainhead	(iii)	–	143
Shanghai Dianke Intelligent Systems Inc.	(iv)	652	–
Shanghai Gas City North Sale Co., Ltd	(v)	–	6,372
Xuhui Onlly Micro-credit	(ii)	209	345
Xuzhou Fountainhead	(vi)	11,466	12,074
<i>Other payables</i>			
Dazhong Transportation Group	(vii)	926	–
Pizhou Fountainhead	(iii)	4,790	5,491

(i) Shanghai Dazhong Building Co., Ltd (“Dazhong Building”) is a subsidiary of an associate of the Group, namely Dazhong Transportation Group.

(ii) Xuhui Onlly Micro-credit is an associate of the Group.

(iii) Pizhou Fountainhead is an associate of the Group.

(iv) Shanghai Dianke Intelligent Systems Inc. is an associate of the Group.

(v) Shanghai Gas City North Sale Co., Ltd. is an affiliate of Shanghai Gas Group.

(vi) Xuzhou Fountainhead is an associate of the Group.

(vii) Dazhong Transportation Group is an associate of the Group.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 34. SUBSEQUENT EVENTS

On 14 July 2017, the Company and Shanghai Dazhong Business Management entered into a transfer agreement (the "Transfer Agreement"), pursuant to which the Company agreed to transfer its subsequent capital contributions of RMB300,000,000 (equivalent to approximately HK\$345,600,000) (the "Target") to Shanghai Dazhong Business Management at nil consideration. On the same day, the Company and Shanghai Dazhong Business Management entered into a supplemental agreement to the Transfer Agreement (the "Supplemental Transfer Agreement"), pursuant to which the Company agreed to enjoy profits and bear losses incurred by the projects prior to the completion (the "Initial Projects") in proportion to its initial paid-up contribution. Shanghai Dazhong Business Management does not have any interests in the Initial Projects. The Company and Shanghai Dazhong Business Management further agreed to enjoy profits and bear losses incurred by the projects after the completion of the Joint Arrangement (the "Completion") in proportion to their respective paid-up contribution. Since (1) the consideration is nil, and (2) Shanghai Dazhong Business Management does not enjoy profits and bear losses incurred by the projects prior to the Completion, the transfer of subsequent capital contributions from the Company to Shanghai Dazhong Business Management is deemed to be a joint arrangement (the "Joint Arrangement") by the Company and Shanghai Dazhong Business Management for the purpose of connected transaction analysis. Shanghai Dazhong Business Management is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the entering into the Transfer Agreement constitutes a connected transaction for the Company under the Hong Kong Listing Rules. For details, please refer to the announcement issued by the Company on 14 July 2017.





上海大眾公用事業（集團）股份有限公司

SHANGHAI DAZHONG PUBLIC UTILITIES (GROUP) CO.,LTD.

地址：上海市中山西路1515號大眾大廈8樓

電話：021-64288888 傳真：021-64288727

郵編：200235 網址：[www.dzug.cn](http://www.dzug.cn)