大众公用
DaZhong Public Utilities
股份代號：1635
Stock Code: 1635

2018 年年度報告
ANNUAL REPORT

上海大衆公用事業（集團）股份有限公司
SHANGHAI DAZHONG PUBLIC UTILITIES (GROUP) CO.,LTD.

IMPORTANT NOTICE

I. **The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management of the Company confirm that the contents in this annual 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. **Attendance of the meeting of the board of directors**

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Non-executive director	Chan Wing Kin	For other business duties at relevant time	Yang Weibiao
Non-executive director	Cheung Yip Sang	For other business duties at relevant time	Yang Weibiao

III. **BDO Limited has issued an unqualified audit report to the Company.**

IV. **Yang Guoping (楊國平), the person-in-charge the Company, Zhao Ruijun (趙瑞鈞), 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 annual report.**

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

According to the audit performed by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), the Company recorded net profit attributable to owners of the parent company of RMB478,488,753.97 in the consolidated statement of 2018; the parent company realized the after-tax profit of RMB316,600,158.14. According to the Company Law of the PRC and the Articles of Association, the Company proposed to allocate as follow:

Statutory reserve of RMB31,660,015.81 was provided on the basis of 10% of net profit of 2018, plus the retained and undistributed profit of the parent company of RMB707,155,446.47 in 2017, less RMB177,146,080.50 distributed in 2018, resulting RMB814,949,508.30 of distributable profit. Based on the total capital of 2,952,434,675 shares in 2018, every 10 shares shall be entitled to a bonus of RMB0.60 (including tax), totalling RMB177,146,080.50 distributed, while the undistributed RMB637,803,427.80 shall be retained for distribution in future years.

VI. **Risks disclaimer of the forward-looking statements.**

The forward-looking statements in this report 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

During the Reporting Period, there was no material risks within the Company. The report contains the description of the possible risks related to the Company and the countermeasures to them. Please refer to "Management Discussion and Analysis — Potential Risks"in this report.

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 English version shall prevail if any ambiguities arise from the understanding of the Chinese and English texts.

CONTENTS

DEFINITIONS

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

"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
"AGM"	annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended or supplemented from time to time
"Audit Committee"	the audit committee of the Company
"BDO"	BDO Limited
"Board of Supervisors"	the board of supervisors of the Company
"Board"	the board of directors of the Company
"BOT"	Build-Operate-Transfer, representing an infrastructure project financed and constructed by investors upon a contract entered into between the government and investors. The investor shall own, operate and maintain the facilities during the term of the agreement and shall recover the investment and obtain reasonable profits by charging royalties or service fee. After the expiration of the agreement, the ownership of those facilities will be transferred to the government
"BT"	Build-Transfer, representing an infrastructure project financed and constructed by investors upon a contract entered into between the government and investors. After completion of such project, the relevant right to facilities of such project will be transferred to the government under the contract
"CG Code"	Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China. References in this annual report to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company" or "Dazhong Public Utilities"	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

DEFINITIONS

"Dazhong Asset Management"	Shanghai Dazhong Assets Management Co., Ltd.* (上海大眾資產管理有限公司), a limited liability company incorporated in the PRC on August 8, 2014 and a directly wholly-owned subsidiary of the Company
"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 owned as to 90% by 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) and 10% by three individual shareholders who are Independent Third Parties
"Dazhong Capital"	Shanghai Dazhong Group Capital Equity Investment Co., Ltd* (上海大眾集團資本股權投資有限公司), a limited liability company incorporated in the PRC on April 22, 2010 and an indirect wholly-owned subsidiary of the Company, owned as to 99% by the Company and 1% by Shanghai Dazhong Environment Industry Co., Ltd.* (上海大眾環境產業有限公司)
"Dazhong Commerce"	Shanghai Dazhong Transportation Commerce Co., Ltd.* (上海大眾交通商務有限公司), a limited liability company incorporated in the PRC on June 25, 2008
"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)
"Dazhong Jiading Sewage"	Shanghai Dazhong Jiading Sewage Co., Ltd.* (上海大眾嘉定污水處理有限公司)
"Dazhong Run"	Shanghai Dazhong Run Logistics Shares Co., Ltd.* (上海大眾運行物流股份有限公司)
"Dazhong Transportation"	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"	the director(s) of the Company
"EHR"	Electronic human resource

DEFINITIONS

"Employee Share Ownership Committee"	Shanghai Dazhong Business Employee Share Ownership Committee* (上海大眾企業管理有限公司職工持股會)
"Final Dividend"	the final dividend of RMB0.60 per ten shares (tax inclusive) for the year ended December 31, 2018
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, refers to such subsidiaries as if they were subsidiaries of the Company at the relevant time
"H Share(s)"	overseas listed foreign share(s) in the registered share capital of the Company, 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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended or supplemented from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hongjie Investment"	Shanghai Hongjie Investment Co., Ltd.* (上海鴻捷投資有限公司)
"IPO"	Initial Public Offering
"Jiangsu Dazhong"	Jiangsu Dazhong Water Group Co., Ltd.* (江蘇大眾水務集團有限公司)
"Jiangyin Tianli"	Jiangyin Tianli Gas Co., Ltd.* (江陰天力燃氣有限公司)
"Junxiang Industrial"	Shanghai Junxiang Industrial Co., Ltd.* (上海珺祥實業有限公司)
"Latest Practicable Date"	April 15, 2019, being the latest practicable date for certain information contained in this report
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"LNG"	Liquefied natural gas
"LPG"	Liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

DEFINITIONS

"Nantong Dazhong Gas"	Nantong Dazhong Gas Co., Ltd.* (南通大眾燃氣有限公司)
"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)
"Nomination Committee"	the nomination committee of the Company
"PPP"	Public-Private Partnership, representing to the benefit sharing, risk sharing and long-term cooperative relationship established between the government and social capital through franchising, purchase of services, equity partnership, etc
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Company
"Reporting Period"	the year from January 1, 2018 to December 31, 2018
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of the PRC
"SCGI"	Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司)
"SEARI"	Shanghai Electrical Apparatus Research Institute (Group)Co., Ltd.* (上海電器科學研究所(集團)有限公司)
"SEIS"	Shanghai Electronic Intelligence System Co., Ltd.* (上海電科智能系統股份有限公司)
"Selling Shareholder"	Shanghai Gas Group and Wuxi Transportation Co., Ltd* (無錫客運有限公司)
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Gas Group"	Shanghai Gas (Group) Co., Ltd.* (上海燃氣（集團）有限公司)
"Shanghai Huiran"	Shanghai Huiran Investment Co., Ltd.* (上海慧冉投資有限公司)
"Shanghai Ruyu"	Shanghai Ruyu Energy Investment Co., Ltd.* (上海儒馭能源投資有限公司)
"Shanghai Stock Exchange" or "SSE"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shi He Industrial"	Shanghai Shi He Industrial Co., Ltd.* (上海世合實業有限公司)

DEFINITIONS

"Suchuang Gas"	Suchuang Gas Corporation Limited* (蘇創燃氣股份有限公司) (Stock Code: 1430.HK), a company listed on the Main Board of the Hong Kong Stock Exchange
"Supervisor(s)"	the supervisor(s) of the Company
"TOT"	Transfer-Operate-Transfer
"Yiyang Landscaping"	Shanghai Yiyang Landscaping Co., Ltd.*(上海怡陽園林綠化有限公司)
"yuan" and "ten thousand yuan" and "one hundred million yuan"	RMB, RMB10 thousand, and RMB100 million

CORPORATE INFORMATION

As at the Latest Practicable Date, details are as follows:

DIRECTORS

Executive Directors

Mr. Yang Guoping (楊國平) *(Chairman of the Board)*
Mr. Liang Jiawei (梁嘉瑋) *(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)
Ms. Chen Chun (陳淳)

AUTHORIZED REPRESENTATIVES

Mr. Liang Jiawei (梁嘉瑋)
Ms. Chen Chun (陳淳)

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)

STRATEGIC DEVELOPMENT COMMITTEE

(Established on 29 March 2019)
Mr. Yang Guoping (楊國平) *(Chairman)*
Mr. Liang Jiawei (梁嘉瑋)
Mr. Li Songhua (李松華)

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

Room 8204B, 82/F, International Commerce Centre
1 Austin Road West
Kowloon
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 REGISTRAR

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

KEY FINANCIAL INDICATORS

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE RECENT TWO YEARS

(1) Key accounting data

Unit: '000 Currency: RMB

Key accounting data	2018	2017	Change over the corresponding period last year (%)
Operating revenue	5,062,376	4,741,950	6.76
Net profit attributable to equity holders of listed company	478,489	474,133	0.92
Net cash flows from operating activities	280,589	507,041	(44.66)
	End of 2018	**End of 2017**	**Change over the end of the corresponding period last year (%)**
Net assets attributable to equity holders of listed company	7,403,514	7,184,577	3.05
Total assets	21,222,251	20,400,001	4.03

KEY FINANCIAL INDICATORS

(2) **Key financial indicators**

Key financial indicators	**2018**	**2017**	**Change over the corresponding period last year (%)**
Basic earnings per share (RMB per share)	0.16	0.16	N/A
Diluted earnings per share (RMB per share)	0.16	0.16	N/A
Weighted average return on net assets (%)	5.10	6.73	(24.2)

FIVE-YEAR FINANCIAL SUMMARY

(According to IFRS)

RMB'000	2014	2015	2016	2017	**2018**
Revenue and profit					
Revenue	4,212,557	4,616,595	4,568,396	4,741,950	**5,062,376**
Profit before tax	416,763	573,157	680,510	627,344	**488,926**
Taxation	(42,508)	(37,432)	(46,700)	(71,841)	**(59,598)**
Profit for the year	374,255	535,725	633,810	555,503	**429,328**
Attributable to:					
Owners of the Company	340,469	463,800	547,642	474,133	**478,489**
Non-controlling interests	33,786	71,925	86,168	81,370	**(49,161)**
Dividends	57,422	148,038	177,146	177,146	**177,146**
Earning per share attributable to ordinary shareholders of the parent company					
Basic					
Profit for the year (RMB)	0.14	0.19	0.22	0.16	**0.16**
Assets and liabilities					
Non-current assets	9,717,614	11,198,410	12,281,560	13,531,200	**15,113,409**
Current assets	2,215,145	2,982,156	4,728,329	6,868,801	**6,108,842**
Current liabilities	(3,585,647)	(4,008,239)	(5,292,242)	(8,613,166)	**(6,428,480)**
Net current liabilities	(1,370,502)	(1,026,083)	(563,913)	(1,744,365)	**(319,638)**
Total assets less current liabilities	8,347,112	10,172,327	11,717,647	11,786,835	**14,793,771**
Non-current liabilities	(3,039,644)	(3,393,141)	(3,523,225)	(3,483,554)	**(6,268,765)**
Net assets	5,307,468	6,779,186	8,194,422	8,303,281	**8,525,006**
Interests attributable to the owners of the Company	4,349,476	5,718,064	7,063,045	7,184,577	**7,403,514**
Non-controlling interests	957,992	1,061,122	1,131,377	1,118,704	**1,121,492**

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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 includes (1) city gas, (2) wastewater treatment, (3) urban transportation, (4) infrastructure investment and operation, and (5) logistics and transport, and financial investment business which 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 scope of the Company's gas business includes gas sales and pipeline construction and our business model is to procure gas from the upstream suppliers, sells the gas to end users through our proprietary pipeline network, and also provides relevant distribution services. Our business area mainly focuses on southwestern districts in Shanghai and Nantong in Jiangsu Province. The Company is the sole supplier of piped natural gas in the South Puxi Area in Shanghai and Nantong, Jiangsu Province and has underground pipelines exceeding 6,500 km and 2,200 km respectively. In 2016, the Company made equity investment in Suchuang Gas Corporation Limited (Stock Code: 1430.HK), which has brought stable revenue for the Company. During the Reporting Period, the Company and its associate together acquired 37.2255% share equity of Jiangyin Tianli to increase its investment in gas industry, which brought positive impacts on enhancing the overall profitability of the gas business.

Major performance drivers: City gas business is affected by the adjustment to gas price and the number of users. Along with urbanization and replacement of coal with natural gas facilitated by the country, the Company, being a city gas operator, will be benefited from the increase in sales of gas and in gas connection.

(2) Wastewater Treatment

The major business scope of the Company's wastewater treatment projects includes the treatment of wastewater from daily lives and industries. The Company conducts wastewater treatment business pursuant to the concession agreement entered into with local governments. The Company is responsible for handling urban wastewater in areas specified by the government and discharges to specified location after meeting the discharging standards. Currently, the Company operates a number of wastewater treatment plants in Shanghai, Xuzhou and Lianyungang in Jiangsu Province with total designed capacity of 415 thousand tons per day. Our wastewater treatment adopts matured wastewater treatment process in China, which can satisfy the existing requirements and standards of treated water discharge. In addition, the Company has invested in a wastewater treatment company in Xiaoshan District, Hangzhou, Zhejiang Province under a BT arrangement. The amount of repurchase will be paid by the local government during the repurchase period.

Major performance drivers: With the continuing urbanization, continuous inflow of urban population, tighter environmental regulatory policies and continuous enhancement of environmental protection standards, each wastewater treatment plants continuously carried out renovation in response to the government's requirements and actively increased their capacity. The municipal governments would procure public service from such companies, and make payment according to actual processing amount and the unit service price approved by local financial bureaus, construction bureaus and water authorities.

(3) Urban Transportation

The urban transportation service business of the Company mainly focused on the comprehensive transportation, which is operated by Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司) (Stock Code: 600611.SH), a subsidiary of the Company. It mainly primarily engages in the development of taxi operation, car rental and other market segments, and provides comprehensive transportation and ancillary services such as taxi, car rental, service and tourism. Dazhong Transportation has over ten thousands vehicles, including taxi, rental car and tourist bus, among which the number of taxi representing around 17% of the total number of taxi in Shanghai city.

MANAGEMENT DISCUSSION AND ANALYSIS

The taxi operation business of Dazhong Transportation is mainly under subcontraction in Shanghai and mainly under rental and callings of cars outside Shanghai. At the same time, in response to the effects of internet model on traditional taxi industry, leveraging on the advantage of Dazhong brand, Dazhong Transportation launched the "Dazhong Chuxing" (大眾出行) platform to provide regular online car hailing services. The car rental business of Dazhong Transportation mainly includes long term and short term rent. Under the operation model, the Company will purchase vehicles and licenses and provide external car rental service in an integrated way.

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, Construction and Operation

The current infrastructure investment project operated by the Company is the Xiangyin Road tunnel in Shanghai invested, constructed and operated under BOT arrangement. The Company provides operation maintenance and protection services for the project, and the Shanghai government provides ongoing special subsidy to the Company as investment payback and return.

Major performance drivers: The Company strives to increase its revenue through continuous improvement of project management and proactively seek new infrastructure investment projects.

(5) Logistics and Transport

During the Reporting Period, the Company acquired 80% shares in Shanghai Dazhong Run Logistics Shares Co., Ltd.* (上海大眾運行物流股份有限公司). Dazhong Run owns more than 900 operating vehicles and carries out business operations on 96811 dispatching platform as the core of its principal activities. Currently, the principal activities of Dazhong Run include lease for freight transport, relocation, liquefied petroleum gas (LPG) distribution, supply chain of Dazhong Run and others. Dazhong Run possesses the qualification of Dangerous Goods Transportation (Gases II) in Shanghai, and is the sole professional logistics company in the capacity of the third party licensed for LPG distribution in Shanghai. The LPG transport fleet covers the central urban area and 11 administrative regions including Chongming, Songjiang and Pudong. LPG distribution model will be conducive to the depth optimisation in logistics and transportation and energy trading in relation to gas business of the Company.

Major performance drivers: The Company strengthens the operation management, and conducts informational innovation through continuous optimisation of multi-channel business processing in logistics industry, with an aim to improve the overall competitiveness and efficiency of operation.

2. *Financial Investment Business*

(1) Financial Services

During the Reporting Period, the Company wholly-owned or majority-owned a number different types of financial service companies, which are mainly engaged in financial leasing, pre-paid cards and etc. Financial leasing is an important complement of traditional banking facilities and equity financing as well as an effective link between small and medium enterprises in real economy and financial industry. Financial leasing engaged by the Company belongs to highly leveraged and asset-light industry, and to charge net spreads as a source of profit, representing the major sources of income are interest, and handling charges and commissions. In particular, the interests income are mainly comprise of rent interests and interbank lending interests, while handling charges and commissions are mainly comprise of rental charges. The Company's pre-paid cards business of "Dazhong e-Card (大眾e通卡)" covers online and offline consumption scenarios of basic necessities of life and online shopping, which provides convenience to the daily payment.

Major performance drivers: The Company strengthens its ability to observe and extrapolate the industry development trend. Besides, the Company continuously improves the financial service standards and identifies quality customers to improve its profitability.

(2) Venture Capital Business

The venture capital business of the Company is mainly classified as investments in venture capital enterprises and direct investments. There are three major venture capital platforms invested by the Company, which are Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), 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)) ("Huacan Fund") and Shanghai Xingye Venture Capital Co., Ltd.* (上海興燁創業投資有限公司).

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, while enhancing professional self empower to provide core driving force for sustained and rapid development, and controlling its pace of investment, making judicious decision and implementing risk control to improve the profitability of direct investment business.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

(II) Industry Review

1. Gas Industry

Natural gas industry in China is still at its stage of growth and is facing huge natural gas demand from many sectors in the future as natural gas is clean and has broad usage. As people's environmental protection awareness enhances, China endeavors to promote the use of clean energy and enhances the protection of environment. Under this trend, natural gas will continue to rise in its share in the primary energy consumption structure. As proposed by ministries like the NDRC and the National Energy Administration, natural gas will be nurtured and gradually become one of the principal energies in our country's modern clean energy system. The length of natural gas pipelines and the population with access to gas will be significantly increased due to the steady progress in urbanization. The "13th Five-Year Plan for Natural Gas" suggests that the population with access to natural gas is expected to reach 470 million in 2020, and the natural gas consumption in the urban fields with access to gas (as fuel) will have a compound growth rate of over 10% by 2020.

In 2018, we saw a lot of favorable policies on the natural gas industry, among which, the Opinions on Facilitating the Harmonious and Steady Development of Natural Gas (《關於促進天然氣協調穩定發展的若干意見》) was designed from the top, pointing out the major tasks on breaking the weak sections of the domestic natural gas industrial chain and utilizing the deployment in various aspects such as "enhancing the production-supply-storage-sales system of our country, deepening the reforms in natural gas sector", in order to increase the storage and production and achieve a basic balance between the supply and demand of natural gas in our country. According to the 2018 Guiding Opinions on Energy Works (《2018年能源工作指導意見》), the total energy consumption shall be controlled to approximately 4.55 billion tonnes of standard coals, the natural gas consumption shall be account for about 7.5% of the total energy consumption, and the total production of natural gas shall be about 160 billion m^3. Important policies have significant influence on every section of industrial chain. Such influence include, as seen from the demand side, the driving force from environmental protection, the continuous coal-to-gas conversion work, the control of scattered coals and the consolidation of small and medium-sized boilers to support the continuous growth in demand; as seen from the supply side, the reinforcement of domestic exploration and development and the promotion of a diversified overseas supply; as seen from the price control, the combination of residential and non-residential station prices to rationalize the upstream prices and the demand for a reduction in service fees in the gas supply sector; and as seen from the construction of infrastructure, the connection of pipeline networks to facilitate the opening up of infrastructures like natural gas pipeline networks to third party market subjects and the fast construction of imported overseas facilities, gas storage and peak-lopping facilities.

2. *Wastewater Treatment Industry*

As a typical industry orientated by policies and driven by laws and regulations, the wastewater treatment industry shows a good development trend under the support of government policies in recent years. During the Reporting Period, the Three-Year Action Plan for Winning the Blue Sky Defense Battle (《打贏藍天保衛戰三年行動計劃》) which includes emission reduction targets for sulphur dioxide and nitrogen dioxide was printed and issued by the State Council and the Blue Water Defense Battle was put on the agenda in 2018. Furthermore, the Eighth National Conference on Ecological and Environmental Protection in May 2018 stressed the need to intensify efforts to solve the ecological environment problems and resolutely fight for the tough pollution prevention and control battle. Accordingly, the environmental protection industry will benefit greatly. With the size of sewage treatment market exceeding a trillion, the industry will enter a high-speed expansion period. Meanwhile, the State Council has deployed a large-scale supervision programme for 2018, covering watershed management, urban black and stinky river control, etc. to further release market demand with strong regulation. During the Reporting Period, the printing and distribution of the Three-Year Action Plan for Winning the Blue Sky Defense Battle by the State Council, the approval of the Law of the PRC on the Prevention and Control of Soil Pollution (《中國土壤污染防治法》) with an unanimous vote at the fifth meeting of the Standing Committee of the 13th National People's Congress, the constant high pressure from environmental regulation and the continuous innovation of the investment and operation system for attracting private capital and giving full play to market forces all have contributed to the improvement of the wastewater treatment charge system. During the Reporting Period, a new version of the Comprehensive Discharge Standards for Wastewater (《污水綜合排放標準》) with increased number of pollutants was introduced in Shanghai. This does not only demonstrate that regulators are now having higher requirements for water pollutants control and prevention, but also shows the possibility of generating more upgrading demand from industrial and municipal water plants.

3. *Urban Transportation Industry*

In 2018, the car rental segment remain depressed as policy barriers were still unbroken and hindered the establishment of the market mechanism for transportation price. Although administrative measures on online taxi had been successively implemented in cities and brought improvement to an orderly market, there were still many platforms engaged in illegal operation. As a result, car rental segment still faces dual challenges from labour resource and operational efficiency.

4. *Infrastructure Construction Industry*

As the economic development of the PRC has entered the new norm, promoting the PPP model becomes an existing important pattern for the PRC to drive stable growth, promote reforms, adjust economic structure, improve people's livelihood and avoid risks. However, the relatively lower concentration of the industry, along with the enhancement of the standards of urbanized construction and the increase in the level of market openness, all of which has dragged down the growth pace of infrastructure investment accordingly and further intensified the market competition. In recent years, the PRC has implemented relevant policies to regulate the operation and market development of PPP projects and curb the increase in implicit debt risk. Under strong regulatory background, PPP projects in progress will slow down, which will be beneficial for the PPP market to develop healthily and sustainably.

In order to further regulate the market development of PPP projects and curb the implicit debt risk of local governments, since 2017, the relevant government authorities have issued a number of policy documents, including Notice on Further Regulating the Borrowing and Financing Behavior of Local Governments (Cai Yu [2017] No. 50) (《關於進一步規範地方政府舉債融資行為的通知》(財預[2017]50號)), Notice on Regulating the Management of the PPP Integrated Information Platform Database (Cai Ban Jin [2017] No. 92) (《關於規範政府和社會資本合作(PPP)綜合信息平台項目庫管理的通知》(財辦金[2017] 92號)), Notice on Issues relevant to the Regulation on the Investment and Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Ban Jin [2018] No. 23) (《關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》(財辦金[2018] 23號)), and Notice of the Ministry of Finance on Further Rectifying the Management of PPP Demonstration Projects (Cai Jin [2018] No. 54) (《財政部關於進一步加強政府和社會資本合作(PPP)示範項目規範管理的通知》(財金[2018] 54號). In the long run, the regulatory policies promulgated by the government authorities aim at guidance for effective resources allocation and risk prevention, thereby ensure the standardized and efficient PPP projects will be implemented. It is expected that the domestic market of PPP project will be further standardized and rationalized in the future, which, in turn, will be beneficial for the overall industry to develop healthily and sustainably.

5. *Logistics and Transportation Industry*

During the Reporting Period, the issue of the Notice on Cancelling the Road Transportation Certificate and Driver Qualification Certificate for Normal Transport Vehicles with a Gross Weight of 4.5 Tonnes or Less (《關於取消總質量4.5噸及以下普通貨運車輛道路運輸證和駕駛員從業資格證的通知》) by the Ministry of Transport of the PRC and policies like the 2019 market-exit of vehicles meeting National III Emission Standard have adversely impacted the business volume of the freight leasing industry. The arrival of Internet big data era have also brought about unprecedented reforms and innovations to the urban logistics technologies. With such huge industrial impact, the freight industry is facing changes and has to be changed from the traditional operational mode of logistics to the Internet and New Retail. In the meantime, a severe competition in the logistics market caused by the ever-developing Internet enterprises has led to the reduction of services fee becoming a major mean to compete, which does not only affect the traditional standard logistics enterprises, but also disrupts the former orderly logistics environment. In addition, under the dual influence of the shortage of labour and social economic pressure, the operation costs and labour costs in freight industry has become higher and higher in recent years. Despite logistic costs are higher, freight fees are even lower than before, making the overall profit become less.

6. *Financial Investment Businesses*

In recent years, China has increased its regulation over the financial sector in order to prevent and address financial risks, making serving real economy become a policy direction for regulation. Since its industrial nature of combining both capital and commodity financing, the financial lease industry is a financing way closely connected to the real economy and has fully used its flexibility in serving real economy. Presently, the financial lease market in China has a relatively smaller size and lower market penetration than those of the market in developed countries. Therefore, it has plenty of upside potential and is facing the change from extensive development to intensive development. In May 2018, the Ministry of Commerce of the PRC has delegated the regulatory functions with respect to financial lease companies to the China Banking and Insurance Regulatory Commission. The centralized management is helpful in preventing regulatory arbitrage, standardizing the order of the financial lease market and promoting healthy industrial development. With the issue of industrial standards, the increased support from government and the maturing industrial regulatory policies, the financial lease industry of China maintains a steady development momentum, which not only contributes to a steady growth in the number of enterprises, registered capital and overall business volume, but also makes competition in the future become more and more severe.

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, the third party payment business, after experiencing its primary "barbaric growth", has gone through the test of regulatory tightness and its prepaid card permit has become a top priority in the overall remediation of payment permit businesses. Prepaid card permit is the main force of the permits for the third party payment industry and small institutions have a relatively lower share of such permits as leading enterprises in the third party payment industry have resource advantages. In the future, the industry will have a golden development age on the foundation of standardization and the standardized development of the prepaid card institutions is beneficial for the optimization of industrial environment.

In 2018, the venture capital industry is facing situations like the escalation of trade friction between the PRC and the US, the increase of economic downward pressure in China, the increase of some enterprises' operational difficulties and the tightness of listing review. Therefore, the venture capital institutions are facing challenges from capital raising, investment, exit, etc. The size and number of venture capital investments recorded a month-on-month decrease in growth rate and the average management size of such investments also recorded an overall downward trend. The tightness of IPO review led to a slowdown in listing pace, a significant reduction in the number of listed companies and a spread shrinkage between primary and secondary markets, all of which have contributed to the forming of a more matured market.

FINANCIAL REVIEW

Major operation during the Reporting Period

In 2018, the Company recorded a total revenue of RMB5,062 million, representing an increase of 6.75% as compared to RMB4,742 million for the corresponding period of last year. The consolidated profit before tax and consolidated net profit amounted to RMB489 million and RMB429 million, respectively, representing a decrease of 22.06% and 22.71 %, respectively, as compared to the corresponding period of last year. The net profit attributable to the owner of the parent amounted to RMB478 million, representing an increase of 0.92% as compared to the corresponding period of last year.

Revenue

The Group's revenue increased by 6.75% on a year-on-year basis from RMB4,742 million for the year ended December 31, 2017 to RMB5,062 million for the year ended December 31, 2018. Revenue contribution from the four segments remained relatively stable during the Period.

Piped gas supply

Revenue generated from piped gas supply operations increased by 3.78% from RMB4,388 million for the year ended December 31, 2017 to RMB4,554 million for the year ended December 31, 2018. Revenue generated from piped gas supply operations was 92.53% and 89.96% of the Group's total revenue for the years ended December 31, 2017 and 2018, respectively.

Wastewater treatment

Revenue generated from wastewater treatment operations increased by 35.27% from RMB207 million for the year ended December 31, 2017 to RMB280 million for the year ended December 31, 2018. Such increase was mainly due to the increase of water price resulted from the upgrading and reconstruction of Dazhong Jiading Sewage. Revenue generated from wastewater treatment operations was 4.37% and 5.53% of the Group's total revenue for the years ended December 31, 2017 and 2018, respectively.

Public infrastructure projects

Revenue generated from public infrastructure projects decreased by 1.36% from RMB49.29 million for the year ended December 31, 2017 to RMB48.62 million for the year ended December 31, 2018. Revenue generated from public infrastructure projects was 1.03% and 0.96% of the Group's total revenue for the years ended December 31, 2017 and 2018, respectively.

Transportation services

For the year ended December 31, 2018, revenue from our transportation service amounted to RMB54.50 million. Such revenue was attributable to the subsidiary acquired during the year namely Shanghai Dazhong Run Logistics Shares Co., Ltd. For details of such acquisition, see note 10 of financial statements.

Financial services

Revenue from interest income in our micro-credit business decreased by 93.62% from RMB20.70 million for the year ended December 31, 2017 to RMB1.32 million for the year ended December 31, 2018, which was mainly due to the transfer of Shanghai Minhang Micro-credit Co., Ltd. during the Reporting Period.

Revenue from financial leasing business increased by 61.30% from RMB77.33 million for the year ended December 31, 2017 to RMB124.73 million for the year ended December 31, 2018, which was mainly due to the improvement of operation results.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit decreased by 30.93% from RMB789 million for the year ended December 31, 2017 to RMB545 million for the year ended December 31, 2018. Gross profit of piped gas supply operations decreased by 59.6% from RMB539 million for the year ended December 31, 2017 to RMB218 million for the year ended December 31, 2018. Gross profit margin for piped gas supply decreased from 11% for the year ended December 31, 2017 to 5% for the year ended December 31, 2018. The decrease in gross profit of piped gas supply operations during the Reporting Period were primarily due to the increase in procurement costs of Dazhong Gas in current year.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 6.74% from RMB186.56 million for the year ended December 31, 2017 to RMB199.13 million for the year ended December 31, 2018. The increase was primarily due to the increase of wage and labor cost.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

Administrative expenses decrease by 32.71% from RMB535 million for the year ended December 31, 2017 to RMB360 million for the year ended December 31, 2018. The decrease was primarily due to exchange loss decrease.

NET INVESTMENT INCOME AND GAINS

Net investment income and gains decreased by 55.59% from RMB368.03 million for the year ended December 31, 2017 to RMB163.43 million for the year ended December 31, 2018. The decrease was primarily attributable to the reduction of sales of financial assets.

SHARE OF RESULTS OF ASSOCIATES

Share of results of associates increased by 46.81% from RMB418.05 million for the year ended December 31, 2017 to RMB613.76 million for the year ended December 31, 2018, primarily due to the improvement of results of associates.

PROFIT BEFORE TAX

As a result of above, profit before tax decreased by 22.06% from RMB627.34 million for the year ended December 31, 2017 to RMB488.93 million for the year ended December 31, 2018.

NET PROFIT

As a result of above, net profit decreased by 22.71% from RMB555.50 million for the year ended December 31, 2017 to RMB429.33 million for the year ended December 31, 2018.

TOTAL COMPREHENSIVE INCOME

As a result of above, our total comprehensive income of RMB260.62 million for the year ended December 31, 2017 decreased by 129.70% to total comprehensive loss RMB77.41 million for the year ended December 31, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Overview

The Group finances its liquidity requirements primarily through cash flow generated from operating activities and proceeds from interest-bearing bank loans, debt instruments and other borrowings. Its primary uses of cash include capital expenditures on property, plant and equipment, its financial investments and maintenance indebtedness.

The table below sets out the analysis of key financial data of the Group as at the end of the Reporting Period:

Unit: RMB'000

Item	**2018**	2017	**Change**	**Change (%)**	**Reason**
Financial assets at fair value through profit or loss	**1,466,352**	21,178	1,445,174	6,823.94	the implementation of new accounting standards, certain available for sale financial assets for the previous years were transfered to this item
Cash and cash equivalents	**3,015,139**	4,912,508	(1,897,369)	(38.62)	mainly attributable to the repayment of corporate bonds and the increase of foreign investments during the reporting period
Share of other comprehensive income of associates	**(485,122)**	(108,315)	(376,807)	(347.88)	the decrease arise from the fair value of financial asset through other comprehensive income decrease of associates

Item	2018	2017	Change	Change (%)	Reason
Net cash flows generated from operating activities	**280,589**	507,041	(226,452)	(44.66)	the increase of purchase from the subsidiaries of piped gas supply segment for this year
Net cash flows used in investing activities	**(1,932,451)**	(1,458,645)	(473,806)	(32.48)	the increase of new investments
Net cash flows generated from financing activities	**(321,368)**	2,745,799	(3,067,167)	(111.70)	the repayment of corporate bonds and short term bonds during the reporting period

Bank Borrowings

As of December 31, 2018, the Group had total bank borrowings of approximately RMB4,921.97 million, which was increased by 28.31% from RMB3,835.90 million as of December 31, 2017.

The Group's long-term interest-bearing borrowings and short-term interest-bearing borrowings as of December 31, 2018 were RMB1,753.94 million and RMB3,168.04 million, respectively. The following table sets forth the maturity profile of the loans repayable of the Group as of December 31, 2017 and December 31, 2018:

Unit: RMB'000

	December 31, 2018	December 31, 2017
Within one year	**3,168,035**	3,008,013
One to two years	**730,585**	827,882
Two to five years	**1,023,351**	–
Total	**4,921,971**	3,835,895

Corporate Bonds and Notes

For details of Corporate Bonds and Notes, please refer to the section headed "Particulars of Corporate Bonds".

Gearing Ratio[1]

As of December 31, 2018, the Group's gearing ratio was 90.34%, representing a decrease of 0.45% from 90.79% as of December 31, 2017.

Pledged Assets

As of December 31, 2018, bank borrowings with an aggregate amount of RMB2,112 million (as of December 31, 2017: RMB912 million) were secured by the Group's asset. For details, please refer to note 37 to the financial statements in this annual report.

Contractual and Capital Commitments

For details of commitments, please refer to note 49 of the financial statements in this annual report.

(1) Gearing ratio is calculated by total debt divided by total equity at the end of the Reporting Period and multiplied by 100%. Total debt is defined as payables incurred not in the ordinary course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION AND ANALYSIS OF OPERATION

2018 was the first year for implementing the spirit of the 19th CPC National Congress of the Chinese Communist Party, the 40th anniversary of the Reform and Opening Up and also a critical year for DaZhong Public Utilities entering a new stage as a steadily growing A+H listed company. The Company upheld the development strategy of "simultaneous development of public utility and financial investment". During the year, under the leadership of the Board and with the concerted efforts of our staff, the Company pushed forward its major activities by continuously reinforcing its primary public utility business and deploying quality projects for promoting high quality development. The Company achieved satisfactory operating results in various sectors such as urban gas supply, urban transportation, wastewater treatment and financial investment, and recorded a total revenue of RMB5.062 billion and net profit of RMB0.429 billion.

Major activities of the Company in 2018 were as follows:

I. Reinforcement of primary public utility business and effective breakthroughs of major projects

1. City gas sector

(1) In 2018, Dazhong Gas followed the overall objectives of "one main line, two assurances, three improvements" to promote its operation and management. During the Shanghai Expo period, it shouldered the task of securing the gas supply for the Expo and successfully completed the task by fully strengthening its safety frontlines. It actively expanded the gas market and achieved incremental development. In addition, it strived to promote the ancillary works of major projects, facilitate scientific innovation, pursue the construction of "smart gas", promote the intelligentization of gas meters and increase the safety regulation over the network information system.

(2) Nantong Dazhong Gas has successfully finished its gas supply guarantee work during the winter in Nantong and over-finished the annual plan for renovating obsolete gas pipe networks. In line with the construction requirements of urban rail transit, in 2018, Nantong Dazhong Gas performed various measures in major aspects such as expanding gas market, reinforcing internal control management and optimizing management team, and was granted a number of rewards such as the Safe Enterprise of Jiangsu Province (江蘇省平安企業) and the Municipal Advanced Group (市級先進集體).

(3) In 2018, Suchuang Gas further expanded its business to regions like Kunshan and Changshu while reinforcing its natural gas business in Taicang, and strengthened its position as a comprehensive energy environmental enterprise by subscribing shares of Xinjiang Dunhua Petroleum Technology Co., Ltd.* (新疆敦華石油技術股份有限公司) and Beijing Beilun Energy Technology Co., Ltd.* (北京北侖能源科技有限公司).

(4) In 2018, the Company indirectly held 37.2255% equity interest in Jiangyin Tianli Gas Co., Ltd.* (江陰天力燃氣有限公司) by acquiring the equity interest in Shanghai Ruyu and Shanghai Huiran. Jiangyin Tianli has the concession of urban pipeline gas supply in Jiangyin County (a county ranked 2nd in China's Top 100 Counties) and the nearby Jingjiang County, and held 48% equity interest in Zhejiang Jiande Gas Company Co., Ltd.* (浙江省建德市天然氣公司). The project has a positive impact on the development of the Company's principal gas business and the improvement of its core competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Transportation services sector*

(1) Dazhong Transportation is a cornerstone for the Company to achieve stable growth in operating results. Amid fierce market competition, Dazhong Transportation insists a dual engine development of industrial capital and financial funds, offers services and products that are more closer to the transportation market demand during the Internet era, actively promotes the implementation of the "real economy + Internet" strategy, and sets reasonable deployment in the equity investment field.

(2) In 2018, the Company acquired 80% equity interest in Dazhong Run, which has regular businesses such as freight leasing, relocation and delivery and the qualification for transporting dangerous goods (Category II gases) in Shanghai. Dazhong Run is the only third-party professional logistics company of delivering LPG in Shanghai, and its LPG delivery mode will help the Company further explore into logistics and transportation and energy trade.

3. *Environment and municipal infrastructure sector*

(1) In 2018, the major upgrading project of Dazhong Jiading Sewage has been fully completed and formally started to operate under A+ standard, contributing to a significant improvement in wastewater treatment quality. Dazhong Jiading Sewage has finished the environmental protection check & acceptance inspection for its Phase III Project and Sludge Drying Project. Since both the government and the company have reached a consensus on the terms of the new wastewater treatment BOT agreement, the production will be orderly conducted with such guarantee.

(2) In 2018, Jiangsu Dazhong regarded up-to-standard discharge as enterprise lifeline and project development as the most important approach to expand its scale. In 2018, Jiangsu Dazhong won the bidding for the Qingshanquan Sewage Treatment Plant Project and built the plant as a "garden plant". Jiawang Subsidy of Jiangsu Dazhong Water was awarded the title of "Best Sewage Treatment Plant" (優秀污水處理廠) with the 2nd place in Jiangsu Province and the 1st place in Xuzhou.

(3) For municipal infrastructure projects funded and constructed by the Company, Xiangyin Road tunnel operated with high efficiency and safety and recorded stable concession income.

(4) The Company has been active in expanding the overseas market for its principal business. In 2018, Dazhong Hong Kong, a subsidiary of the Company, actively expanded its principal business projects in overseas and did inspection, due diligence and bidding works for a number of projects in countries in Europe, North America and Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Stable and rising venture capital business and more opportunities from the science and technology innovation board

The Company has always adhered to the corporate development strategy of "simultaneous development of public utility and financial investment". While making more investment in public utility in 2018, the Company has made some structural adjustment, abandoned the premium increase investment in Shenzhen Capital Group Co., Ltd. and planned to increase investments under the instant-effective funds model operated by Shenzhen Capital as well as its own direct investment so as to improve the efficiency of investment. Meanwhile, the Company strengthened post-investment management and pushed the invested projects into the capital market as soon as possible, so as to accelerate the capital turnover.

(1) The Sheng Da Gaming Project (盛大遊戲項目) invested by the 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)) (in which the Company contributed RMB560 million to invest in the Sheng Da Game Project) has been consolidated by the listed company Zhejiang Shiji Huatong Group Co., Ltd.* (浙江世紀華通集團股份有限公司) (hereinafter referred to as "Shiji Huatong"). On February 20, 2019, Shiji Huatong issued shares and paid cash to purchase assets and raised supporting funds and connected transactions, which were approved conditionally by the Review Board for Mergers, Acquisitions and Restructurings of Listed Companies of China Securities Regulatory Commission.

(2) DJI Company Limited, which the Company invested in with USD30 million through Dazhong Hong Kong in 2017, developed well, and its re-financing in 2018 further improved the overall strength of the Company.

(3) Wuhan Douyu Network Technology Co., Ltd.* (武漢斗魚網絡科技有限公司), which the Company contributed USD10 million through Dazhong Hong Kong in 2018, has been launched and listed overseas.

(4) JuneYao Health Beverage Co., Ltd.* (均瑤大健康飲品有限公司) Healthy Beverage Co., Ltd, which the Company contributed RMB35 million, will also launch the IPO in 2019.

(5) To further cooperate with the Chinese Cultural Industry Equity Investment (Shanghai) Center (Limited Partnership)* (華人文化產業股權投資(上海)中心(有限合伙)) in the management and withdrawal of investment projects, Shanghai Canxing Culture Media Co., Ltd., which the Company invested, had pre-disclosed the prospectus on the website of the China Securities Regulatory Commission in December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Stable growth in our own financial industry and increase in the market share

(1) In 2018, Dazhong Financial Leasing further improved the standard for identifying potential customers and leveraged its leading position in the industry to explore bulk business for micro-enterprises. Therefore, the investment amount and turnover of its new businesses both hit a record high. As the first financial leasing company that cooperates with China Telecom, Dazhong Financial Leasing has officially launched the business of "Dazhong Financial Lease • Orange Installment" (大眾融租•橙分期) at the end of 2018 and gained remarkable initial effects.

(2) In 2018, Dazhong Commerce actively pushed ahead major tasks including the application scenario expansion of e-Card, optimization of APP functions, development and launch of new business and compliance management, and was elected as a standing committee entity in the Prepaid Card Specialized Committee of the Payment & Clearing Association of China, showing a sufficient recognition of the development potential and industrial influence of Dazhong Commerce from the industry.

IV. Orderly internal management of the Company and improvement in management driven by intensified control

(1) Year 2018 is the year about information construction of the Company, as well as the second year of the Three-Year Action Plan for the information construction. Guided by the Company's development strategy and pursuant to the working requirements of top down design standardization, middle management and control normalization and basic information collection systematization, we focused on the two strategic directions of "strategic synergy" and "strategic management and control", and actively promoted the progress of various work through the "big data, cloud computing, platformization and mobility" technology.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Strengthen financial and fund management. In 2018, the Company continued to promote the overall financial and capital management level, and achieved breakthrough in credit rating. The main credit rating and issued bond rating of the Company were upgraded from AA+ to AAA, which is the highest level in China. We actively promoted the establishment of the capital pool of the Company, and developed a unified capital management system, strengthen the supervision of fund revenue and expense and improve the efficiency of capital use.

(3) We continuously improve the mastering level of the Shanghai and Hong Kong listing rules and related information disclosure matters, complete the A+H share periodic reports, various temporary announcements and the ESG report required by the Hong Kong Stock Exchange and ensure the authenticity, accuracy and completeness of its information disclosure. We established a good communication mechanism with regulatory authorities, maintain the investor relations management, public opinion monitoring of the Company for ensuring the good image of the Company in security market.

(4) In 2018, the human resources management systemization and information construction of the Company had been fully carried out. We focused on speeding up on the recruitment of talents for the shortage positions, conducting substantive efforts on analyzing the various positions of the functional departments and preparing the job guideline and performance target, and further optimizing the staff management of the Company and full implementation of second phase of the EHR information system.

(5) The Company places high attention to the internal supervision system and perfected it, it improves the internal control management level of the Company by the internal control management procedure. The audit of financial income and expense and economic benefits of the subsidiaries of the Company in 2018, which provides a strong evidence for audit committee to understand the situation, had been completed.

(6) The Company places high attention to the safety production management, and it constantly establishes completed safety production responsibility system. Under the guidance of the safety production leading team, we ensure the safety production is never slackening through signing "annual safety production responsibility letter" with subsidiaries for supervision and implementation, carrying out safety production self-examination and self-correction and specific safety inspections.

(7) The Company continuously integrates corporate culture construction with various business management activities, and actively creates a good atmosphere of people's mind. Under the guidance of the Shanghai Municipal Committee of the Communist Youth League, the Company gained a good society comments by helping the poor and tackling the hardships with the Shanghai Youth Association of the Communist Party of China together launched the "Dazhong Public• Welfare and Wisdom Escort".

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON INDUSTRY OPERATING INFORMATION

1. Gas Industry

In 2018, the domestic macro-economy experienced stable operation. Thanks to the national energy policies and increasing stricter environmental protection policies, the consumption demands for natural gas maintained a rapid growth, and the replacement of coal with natural gas stimulated the development of both gas sales and gas connection. In 2018, the natural gas consumption amounted to 278.74 billion m^3 in China, representing a year-on-year increase of 17.5%; the accumulative output was 158.3 billion m^3 with a year-on-year increase of 6.5%; the accumulative import volume reached 123.7 billion m^3 with a year-on-year increase of 34.5%; and the dependence on import was increased to 44.36%. During the Reporting Period, the marketization of the natural gas price was accelerated. Following the principle of "Letting go two aspects regarding gas generation and sales, controlling the middle stage regarding gas supply", the government released several policies to speed up the marketization of the natural gas price. On May 25, 2018, the NDRC announced the Circular on Straightening the Gas Station Price of Natural Gas Used for Residential Purpose, which unified the gas station prices of natural gas for residential or non-residential purpose, formulated the linkage mechanism for upstream and downstream natural gas price, and allowed the upward adjustment of the gas station price for residential purpose by no more than 20%. This was the first breakthrough of the natural gas price for residential purpose since 2010, which laid foundation for the enhancement of the natural gas price for residential purpose to a reasonable level, and made preparations for the transactions in Shanghai and Chongqing Trading Center. During the Reporting Period, several places adjusted the gas price for end users and implemented the linkage mechanism for upstream and downstream prices. According to the Circular on Straightening the Gas Station Price of Natural Gas Used for Residential Purpose, various governments strengthened the guidance for price, and adjusted the price for end users according to the bearing capacity of residents and the operation conditions of gas enterprises. At present, the gas price for end users has been adjusted and upstream and downstream price linkage mechanism has been implemented in Beijing, Tianjin and Shenyang.

2. Wastewater Treatment Industry

During the Reporting Period, the 13th Five-Year Plan induces a huge room for water treatment, and the urban and rural wastewater treatment markets will focus on different development directions. At present, China is still in the urbanization process, and the rate of urbanization is only about 58%. As the foundation for the urbanization, the construction of urban wastewater facilities has great potential of development. At present, the ratio of national urban wastewater treatment is almost saturated, which is very close to the target of 13th Five-Year Plan of 95%. The estimated total investment of urban wastewater treatment during 13th Five-Year period was RMB564.4 billion, among which, the investment of construction and renovation of sewer system was totally RMB312.9 billion, accounting for 55.44%, and investment of the upgrading and reconstruction of wastewater treatment facilities reached RMB43.2 billion. It is found that the key focus on urban wastewater treatment has changed from "quantity" to "quality", the key focus on urban wastewater treatment of the government is to phase out backward production capacities and increase the quality and effect of wastewater treatment. Therefore, urban upgrading and reconstruction will be a new momentum in the urban wastewater treatment market, which will expand the industrial market space.

3. Urban Transportation Industry

During the Reporting Period, in terms of the car rental, the third party platforms had continuous impacts on the business, service quality and team stability of the traditional car rental enterprises. Restricted by industrial policies, it was difficult for traditional car rental enterprises to break through the recruitment and transportation price mechanism, which led to the continuous rise in the operation cost of the enterprise. Meanwhile, traditional enterprises needed to improve the stability of the management system and the accuracy of information data with a certain gap with their competitors.

In terms of car rental, foreign-funded enterprises continuously enhanced the localization of middle and high-level management staff, enhanced the level of car users, and reduced the number of car users, which resulted in the continuous shrinkage of the long-term rental business of foreign enterprises; the reform of official car usage system in public institutions and state-owned enterprises cancelled the official car usage, which led to the return of cars by state-owned enterprises. Meanwhile, the zero rent business lost the competitive advantage with the emergence of the online car hailing service. In future, the business development will take on the fragmented and large-scale tendency.

4. Infrastructure Construction Industry

According to the data of the National Bureau of Statistics, the nationwide fixed assets investment reached RMB63.5636 trillion in 2018, representing an increase of 5.9% compared with last year, 1.3 percentage points lower than the growth rate of the corresponding period of the previous year. The infrastructure investment increased by 3.8% compared with the previous year, 15.2 percentage points lower than the growth rate of the corresponding period of the previous year. In 2018, under the background of intensified financial regulation and financial deleveraging, the investment growth of nationwide fixed assets slowed down, especially the infrastructure investment, and the market growth also experienced a decline in the construction industry as an important part. Due to the scattered industry pattern and higher government requirements on standardization, the industry experienced increasingly intensified market competition.

5. Logistics Transportation Industry

In May 2017, the President Xi Jinping announced in the “Belt and Road Initiative” International Cooperation Forum that, China would hold China International Import Expo (CIIE) since 2018. As the first large-scale national exposition with the theme of import in the world, CIIE is an important measure of the Chinese government to firmly support the trade liberalization and economic globalization, and actively open the world to the world, which can enhance the economic and trade exchange and cooperation between various countries in the world, promote the growth of the global trade and world economy, and stimulate the development of the open-type world economy. During the Reporting Period, as the exclusive provider of the luggage transport service for the heads, ministers and business delegations of various countries in the 1st China Import Expo, Dazhong Public Utilities successfully provided supporting services for the CIIE in compliance with the overall requirements of the principle of “avoiding occurrence of the 6 specified accidents”, i.e. no barriers to the command, no gap in the transport capacity, no accidents in the transport, no defects in the dispatch, no malfunction of vehicles and no errors in the luggage transport. More than 200 employees participated in the Expo with 120 service vehicles. It took nearly three months to make preparations in August to formally commence service in November. After the Expo, Dazhong Public Utilities received the letter of thanks from Shanghai Municipal Commission of Commerce and the Foreign Affairs Office of Shanghai Municipal People’s Government, which recognised the concept of “high standards, strict management, focus on service and first-class service” again, and enhanced the brand image and the position in the industry of “Dazhong”.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Financial Service Industry

In recent years, with the intensified financial regulation by the State, preventing and defusing financial risks, and serving the real economy have become the major direction of regulatory policies. Since 2018, the Central Bank has made targeted cuts to require reserve ratios for four times, in order to optimize the liquidity structure, enhance the capability of finance to serve the real economy, and maintain the stability of monetary policies. It is stressed in the above policies that efforts should be made to support the small and micro enterprises and private enterprises, enhance the vitality and resilience of the economic innovation, improve the inherent impetus to the economic growth, and promote the healthy development of the real economy.

During the Reporting Period, Dazhong Financial Leasing was selected as the "Trustworthy Enterprise in the Financial Leasing Industry in 2018" for its conversion of credible operation into competitive advantages, and implementation of the spirits of the report at 19th CPC National Congress "promoting credibility building, institutionalizing volunteer services, and heightening people's sense of social responsibility, awareness of rules and sense of dedication" with actual actions.

During the Reporting Period, the People's Bank of China focused on the anti-money laundering and block trades, and issued the Management Guidelines for the Money Laundering and Terrorist Financing Risks of Corporate Financial Institutions (Trial). Meanwhile, the regulatory policies for pre-paid cards were continuously strengthened and detailed.

During the Reporting Period, Dazhong Commerce was selected as the member unit of the Standing Committee of the Specialized Committee of Pre-paid Cards of Payment & Clearing Association of China, which indicated the recognition of its development potential and industrial influence by the industry. Meanwhile, the classified rating of the non-bank payment institution of Dazhong Commerce was improved from CC to B while other pre-paid companies were generally rated as C, which indicated the recognition of the business compliance and system security of Dazhong Commerce by the regulatory authority.

7. Venture Capital Industry

During the Reporting Period, Shenzhen Capital, in which the Company has made equity investments, realized continuous expansion in the fund management. It newly established 2 FOFs, 14 private equity funds and 4 real estate funds, amounting to RMB38.4 billion. As at the end of the Reporting Period, various funds under the management of Shenzhen Capital amounted to approximately RMB329.2 billion. During the Reporting Period, Shenzhen Capital made several divestments, and newly invested eight projects. As at the end of 2018, Shenzhen Capital accumulatively invested in more than 940 venture capital projects since its establishment, and its 143 investment enterprises were listed in 16 capital markets in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF CORE COMPETITIVENESS

(1) "Dazhong" brand advantage

"Dazhong" is a well-known trademark in Shanghai with a strong intangible asset advantage in public utility industry with wide customer base and brand recognition. "Dazhong" is a brand approved for use in 1994. Since 1999, the "Dazhong" trademark has been recognized as a famous trademark in Shanghai for six consecutive years. "Dazhong" 's core brands, namely "Dazhong Taxi", "Dazhong Gas", "Dazhong Lease" and "Dazhong Logistics" maintain the market leading positions in terms of market share and operating results. "Dazhong" brand is a leading brand in the public utility industry and has become the highlighted advantage of core competitiveness of the enterprise, laying solid foundation for "Dazhong" to become a centuries-old enterprise. To maintain the influence of "Dazhong" brand in the market, the Company continues to strengthen its brand influence and market competitiveness by continuously improving service quality and increasing its market share.

(2) Geographical advantage

As a major public utility service provider in Shanghai with a long-established and prominent brand, the Company has contributed to, and benefit from, the exponential economic growth of Shanghai in the last three decades. In 1991, the Company established taxi operations in Shanghai. Since 2001, the Company made the conversion of piped gas delivery infrastructure from coal gas to natural gas in Shanghai. The Company further expanded its public utility business into wastewater treatment and the public infrastructure industries since 2003. These projects are part of public welfare and economic development plans implemented by the Shanghai government, which have brought significant social benefits to the local residents and enhanced the Company's brand image. The success of the Company's public utility operations in Shanghai served as a foundation for further expansion of its operations. The Company's extensive operational experience enabled it to expand and quickly ramp up its operations in the yangtze river delta area. The Company believes it is well-positioned to leverage its leading industry position and market reputation in Shanghai to continue to capitalize on the future development of Shanghai.

(3) The advantage of defensiveness and monopoly in the public utility industry

The public utility industry is closely related to the daily life of residents, therefore, it will not be highly affected by economic cycle. During the economic adjustment period, the capital market will usually regard public utility industry as an industry with higher defensiveness. The Company also engages in gas business, urban transportation business, sewage treatment and municipal construction business, as they may involve laying of pipeline network or national economy and people's livelihood as well as operation and development of cities, it is regarded as monopolistic and irreplaceable.

(4) The advantage of the management experience in public utility industry

The Company has been engaging in public utility industry for more than 20 years, and it has accumulated extensive experience in operation and management. Its management members and talents are professional and experienced, thus providing strong guarantee for the Company's operation management and business expansion. The Company constantly takes advantage of the new equipment and new technologies in public utility industry, strives to improve labour productivity and service quality, and operates in a good mechanism.

(5) Standardized and improved corporate governance

The Company has been strictly complying the requirements of the Company Law of PRC, the Securities Law, the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), and the relevant laws and regulations of CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, so as to improve corporate governance in an ongoing manner and regulate the operation of the Company. The Company has established a management mechanism of clear authorities and responsibilities, operation regulation, mutual balance and checks and balances for our authority body, decision-making body, supervisory body and management team which is under effective operation, forming an efficient corporate governance which regulates with the Company's characteristics.

(6) Continuous financing ability

The Company actively explored multi-channel financial methods, aiming at saving the financial cost to the largest extent. During the reporting period, the Company had successfully issued 2018 Corporate Bonds (first and second tranche), and long-term credit rating of the Company has been upgraded to AAA while the credit rating of the bonds "18 Gongyong 01" has been upgraded to AAA and credit rating of the bonds "18 Gongyong 03" and ""18 Gongyong 04"" are both AAA. Through direct and indirect financing, the Company's strength and value can be improved while lowering the financing risk.

INVESTMENT ANALYSIS

1. Overall Analysis of External Equity Investment

During the Reporting Period, the Company's external equity investment amounted to approximately RMB1.821 billion, as compared to that of approximately RMB1.278 billion for the corresponding period of last year, representing an increase of approximately RMB543 million or 42.49%.

(1) Material Equity Investment

Unit: 0'000 Currency: RMB

Name of investees	Principal activities	Investment Amount during the Reporting Period	Accumulating shareholding ratio (%)	Carrying amount at the end of the period	Profit or loss on investment during the Reporting Period	Source of funds	Investment horizon	Whether involved in lawsuits or not
Beijing Aiqi Ruidong Investment Management Center (Limited Partnership) (北京愛奇瑞東投資管理中心(有限合夥))	Investment management; asset management; project investment	2,000	9.43	–	-2.13	self-financing	Long term	N
Shanghai Ruyu and Shanghai Huiran (上海儒馭，上海慧冉)	Industrial investment, management consulting, business information consultancy	107,796.0972, 52,714.4474	100, 49	166,432.00	5,807.24	self-financing	Long term	N
Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	Consultation service of corporate operation and management, modern logistics, transportation, etc.	649.78	26.77	247,120.59	23,594.40	self-financing	Long term	N
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))	Equity investment, equity investment management, investment management, industrial investment and financial advisory	9,000	49.02	66,598.49	8,137.04	self-financing	Long term	N
BC Growth VI Fund Sp	Equity investment	US$1,000	37	6,863.20	–	self-financing	Long term	N

1. On May 3, 2018, the Company and Dazhong Transportation entered into the Partnership Agreement and the Capital Contribution Agreement for Beijing Aiqi Ruidong Investment Management Center(Limited Partnership*) (北京愛奇瑞東投資管理中心(有限合夥)) with each of Tibet Jinkun Venture Capital Management Co., Ltd.* (西藏錦坤創業投資管理有限公司) and other limited partners. Each of the Company and Dazhong Transportation has subscribed a contribution of RMB220 million to become limited partners of Beijing Aiqi Ruidong Investment Management Center (Limited Partnership)* (北京愛奇瑞東投資管理中心(有限合夥)).

2. On May 18, 2018, the Company entered into Equity Transfer Agreement with Mr. Lin Kewen and Mr. Lin Leiyuan, pursuant to which the Company shall acquire 100% equity interests in Shanghai Ruyu which was owned as to 89% by Mr. Lin Kewen and as to 11% by Mr. Lin Leiyuan, and 49% equity interests in Shanghai Huiran held by Mr. Lin Kewen, respectively, for a consideration of RMB1,077,960,971.51 and RMB527,144,474.29, respectively. Through such transfer (if effected), the Company would hold, directly or indirectly, an aggregate of 37.2255% equity interests in Jiangyin Tianli. As of the end of the Reporting Period, the Company has paid the investment in full.

3. During the Reporting Period, the Group increased its shareholding in A shares of Dazhong Transportation by 1,428,400 shares in aggregate through centralized bidding trading system of the Shanghai Stock Exchange. As at the end of the reporting period, the shareholding of the Company, Dazhong Hong Kong, a wholly-owned subsidiary of the Company and parties acting in concert in Dazhong Transportation in aggregate were 632,935,549 shares, accounted for 26.77% of its total share capital.

4. In March 2017, the Company has joined the partnership of a fund called Hua Can Fund (華璨基金) through receiving a contribution of RMB90 million and making a monetary contribution of RMB910 million. The first contribution was RMB500 million, representing a 60.24% interest in the initial capitalization. During the Reporting Period, the additional contribution of the Company was RMB90 million. As at the end of the Reporting Period, the Company accounted for 49.02% of the paid-up amount of Hua Can Fund (華璨基金).

5. During the reporting period, the Company made investment with totaling to US$10.9 million to a fund called BC GLOBAL FUND SPC-BC GROWTH VI FUND SP under BC Capital (拔萃資本), of which US$900,000 is for management fee, etc.

(2) Material Non-equity Investment

In 2018, Dazhong Hong Kong, a subsidiary of the Company, invested US$50 million in bonds (Zhenro Properties Group), which expired on June 28, 2020, with a coupon rate of 10.50%.

(3) Financial Assets at Fair Value

For details of financial assets at fair value, please refer to note 51(b) of the financial statements in this annual report.

MATERIAL DISPOSAL OF ASSETS AND EQUITY

1, On August 30, 2018, the Company and its subsidiary Dazhong Transportation entered into Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) in Shanghai, pursuant to which, the Company transferred the 15% equity interests of Shi He Industrial held by the Company to Dazhong Transportation at the transfer price of RMB60,164,349.47. Upon the completion of this transfer, the Company will hold 25% equity interests of Shi He Industrial while Dazhong Transportation will hold 75% equity interests of Shi He Industrial.

2, On November 5, 2018, the Company and its subsidiary Dazhong Transportation entered into Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) in Shanghai, pursuant to which, the Company transferred the 25% equity interests of Shi He Industrial held by the Company to Dazhong Transportation at the transfer price of RMB100,166,984.72. Upon the completion of this transfer, the Company no longer held equity interest of Shi He Industrial while Dazhong Transportation will hold 100% equity interests of Shi He Industrial.

3, On December 11, 2018, Dazhong Public Utilities, Junxiang Industrial and Hongjie Investment, and SCGI and SEARI entered into Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) in Shanghai, pursuant to which, the Transferors (Dazhong Public Utilities, Junxiang Industrial and Hongjie Investment) decided to agree to transfer the 12 million shares of SEISYS (representing 8% of total share capital of SEISYS) to the Transferees (SEARI and SCGI), the transaction price totaled RMB47,938,200. Among them, 8.75 million shares (representing 5.83% of the total share capital of SEISYS) were transferred by Dazhong Public Utilities, the transaction price of which was RMB34.955 million. On December 25, 2018, the Company has received the transaction price in full.

ANALYSIS OF MAJOR CONTROLLING COMPANIES AND PARTICIPATING COMPANIES

Unit: yuan Currency: RMB

Company name	Registered Capital	Business Scope	Total assets	Net assets	Total revenue	Net profit
Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司)	2,364,122,864.00	Modern logistics and transportation	15,510,867,693.47	8,634,864,078.99	3,556,994,250.20	938,756,061.74
Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司)	5,420,901,882.00	Venture investment organization	29,988,110,103.75	13,714,579,611.35	1,624,012,382.89	1,794,312,333.12
Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司)	1,000,000,000.00	Supply of gas	5,026,207,782.63	1,443,429,535.37	3,669,192,694.30	-175,849,209.70
Suchuang Gas Co., Ltd.* (蘇創燃氣股份有限公司)	902,924,000.00	Supply of gas	2,040,652,000.00	1,373,566,000.00	1,102,805,000.00	103,503,000.00
Shanghai Huiran Investment Co., Ltd.* (上海慧冉投資有限公司)	55,400,000.00	Investment organization	1,128,162,954.32	1,124,163,204.32	–	33,825,853.75
Jiangyin Tianli Gas Co., Ltd.* (江陰天力燃氣有限公司)	119,500,000.00	Supply of gas	2,765,162,507.89	1,186,463,295.57	1,684,260,032.19	165,990,962.64

USE OF PROCEEDS

On December 5, 2016, the Company completed the public offering of 478,940,000 H Shares (excluding overallotment) (comprising 435,400,000 new H Shares offered by the Company and 43,540,000 H Shares sold by the Selling Shareholders). The issue price under the public offering was HK$3.60 per H Share. The net proceeds (after deducting the underwriting fees and commissions, transaction levy and trading fee) received by the Company were approximately HK$1,444.5 million.

On January 9, 2017, the Company further 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. Additional net proceeds (after deducting the underwriting fees and commissions, transaction levy and trading fee) of approximately HK$175.0 million were received by the Company.

The number of new H Shares issued pursuant to the abovementioned issuances was 533,643,000 H Shares, with the total net proceeds amounting to approximately HK$1,619.5 million. As disclosed in the prospectus of the Company dated November 23, 2016, the Company intends to apply the net proceeds from the public offering for the follow purposes:

	Percentage of net proceeds to be used
For investment in piped gas supply business, including the acquisition of equity interest in selected piped gas suppliers.	35%
For the expansion of the Group's wastewater treatment operations, including expansion and renovation of existing plants and potential acquisition of new plants or operations in connection with the PPP reform program.	30%
For investment in other public utility businesses.	25%
For funding the Group's working capital and other general corporate purposes.	10%

As of December 31, 2018, it proposed to utilized as disclosed in the prospectus dated 23 January 2016 (the "Prospectus"). As at December 31, 2018, the Group has utilized approximately HK$62.3 million of the net proceed from Listing, and the unutilized net proceed of HK$1,557.2 million has been placed on the Company's account for listing purpose and the Company intended to utilize as the proposed allocation.

On March 29, 2019, the Board of Directors proposed to change the use of proceeds (the "Proposed Change") by merging pipeline gas supply business projects with wastewater treatment business projects. Proposed Change to the use of proceeds to enable the Company to deploy its financial resources more effectively. The Board of Directors believes that the Proposed Change will bring the Company more future business development opportunities and will be more adapting to the company's existing business needs. Further, it also will facilitate the Group's continuous and rapid development and enhance the Group's major position in the market. The Proposed Change shall be presented to the Company's forthcoming annual general meeting (the "AGM"). For details, please refer to the Company's announcement dated March 29, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

Industry Pattern and Trend

1. **City Gas Industry**

According to the natural gas consumption, consumption growth rate and its share of primary energy consumption nowadays in China, natural gas in China has just entered a fast-growing stage and probably has a high-speed growing stage awaiting. As planned by the National Energy Administration, the natural gas consumption's share in the primary energy consumption structure will be increased to 10% and 15% in 2020 and 2030, respectively. Despite of a slowdown in economy, natural gas demand recently still recorded growth due to the critical government-support factor.

The supply and demand of natural gas in the future will remain a tight balance. For the demand side, the domestic natural gas demand in the next two years is expected to keep growing at a growth rate of over 10% as judged by the major influence from a continuous driving force exerted by policies like coal-to-gas conversion, the 13th Five-Year Plan for Energy Development (能源發展十三五規劃) and the implementation of the coal-to-gas conversion policy by the country in recent two years. For the supply side, the increase in the domestic natural gas demand will still be mainly met by imported LNG from overseas as the domestic gas production and imported pipeline gas supply remains relatively stable growth. This natural gas supply shortage situation will be gradually alleviated as our government has issued a series of policies targeted at the natural gas shortage problem in 2018 to promote the construction of mid-stream infrastructure for increasing natural gas import. As more LNG reception stations will be put into operation in 2019, together with the increase in pipeline gas from Middle Asia and the new supply of Russian natural gas, the supply shortage situation will be gradually mitigated, bringing a golden 10 years for the natural gas industry in the future.

2. **Wastewater Treatment Industry**

After the review on the development of environmental protection industry, it is perceived that a new landscape has been established in 2019, and the general regulatory pattern in respect of water, land, solid wastes and exhaust gas has been formed. Under the new regulatory pattern, the policies for environmental protection industry have shifted from entirety to refining. In the past 4 years, the policies and regulations of environmental protection industry, including Action Plan for Preventing and Treatment of Water Pollution (《水污染防治行動計劃》or《水十條》), Water Pollution Prevention and Control Plan for Major River Basins (2016-2020) (《重點流域水污染防治規劃(2016-2020年)》) and National Groundwater Pollution Prevention and Treatment Plan (2011-2020) (《全國地下水污染防治規劃(2011-2020年)》), have been in place. The restrictions from such policies and regulations will be conductive to speed up the industry, which plays a substantial role in promoting the development of environmental protection industry. Under the guidance of the 13th Five-Year Plan, the fixed investments in wastewater treatment industry are expected to continue its rapid growth with positive prospects in development of the industry.

3. Urban Transportation Industry

At the National Transportation Work Conference, promoting the high quality development of transportation was confirmed as the work focus for 2019 and 30 major tasks were proposed to be done. Such major tasks include the realization of using transportation services across 260 cities with just one card, timely completion of the reform of comprehensive transportation administration and enforcement, introduction of green travel action plan, and organization of the pilot project of the first batch of integrated transportation big data platforms, etc. According to the Reply from the State Council in respect of the Urban Master Plan of Shanghai (《國務院關於上海市城市總體規劃的批復》), Shanghai shall give priority to public transportation in its transportation development strategy, encourage green commuting, consolidate the construction of urban traffic network and railway traffic network and further improve the urban integrated transportation system that takes public transportation as mainstream and provides multiple choice for transportation. Shanghai will continue to capitalize on the objectives of becoming a strong transportation power and of building an excellent global city, facilitate the integrated development of the Yangtze River Delta and promote high quality development of its transportation by using global perspective and international standards in order to improve and enhance its integrated world-city transportation system, which is hub-type, functional and networked.

4. Infrastructure Investment, Construction and Operation Industry

According to the spirit arising each of the meeting of the Politburo of the CPC Central Committee and the standing committee meeting of the State Council held in July 2018, infrastructure construction remain positioned as an important role in the course of deepening the supply-side structural reform. In October 2018, the General Office of the State Council issued Guiding Opinion of the General Office of the State Council on Maintaining the Efforts to Shore Up Weak Links in Infrastructure (Guo Ban Fa [2018] No. 101) (《國務院辦公廳關於保持基礎設施領域補短板力度的指導意見》(國辦發[2018]101號)), which highlights shoring up weak links shall be the key task in deepening the supply-side structural reform, and points out that the areas of poverty alleviation, railway, highway, water transportation, airport, hydraulic engineering, energy, agriculture and rural area, ecological environmental protection, and people's livelihood, shall be prioritized in development. In the future, it is expected that the infrastructure investment priorities will fall on the fields of municipal engineering, public service facility, transportation and ecological environmental protection, while an upward trend will be shown in proportion of urban comprehensive development project, characteristic town development project, hydraulic engineering project and smart city construction project. Under such circumstances, enterprises with strong comprehensive strength in investment and financing, construction and operation will be more competitive in market competition.

5. **Logistics and Transport Industry**

On November 21, 2018, the Executive Meetings of the State Council pointed that various measures shall be concurrently performed to develop a modern logistics system of "road + hub + network", enhance operating efficiency of the economy and promote high quality development. This meeting pointed out a clear path for the logistics industry in China to realize high quality development. In recent years, five major scientific innovations, namely, Internet of Things, artificial intelligence, flexible automation, autonomous driving and biometrics, have contributed to a continuous increase in the efficiency of the logistics industry and became a situation that needs our attention and consideration for use.

Facing with the severe situation in the logistics industry in Shanghai, Dazhong Run has fully used its advantages of self-owned brand and offline recourses and upheld the good service concept of "quality comes first" to build an advanced modern logistics platform in order to achieve a full integration of online and offline resources. It also actively seeks strategic partners with promising prospect and similar concepts to create a win-win cooperation situation by achieving complementarity of edges. In the meantime, it will grasp the demand from government departments for strengthening urban safety construction to expedite the horizontal and vertical expansion of its LNG full delivery business and cooperate with the gas sector, making the business become a bona fide new economic growth point and core competition area of Dazhong Run.

6. **Financial Investment Industry**

Financial lease is a capital-intensive industry where the strength of financial capacity is the key to expand business scope and withstand risks. In the future, as the monetary policy becomes steady, the financial market undergoes reform and the asset-securitization market develops, the financing channels of financial lease companies will be effectively expanded and the financial lease companies will also have encouragement from national policies to finance in various ways, all of which will be helpful for financial lease companies to improve their assets turnover and liquidize remnant assets as well as benefit the industry development. The yield rate and financing rate of lease business will stay at a relatively high level, which will bring steady interest income and handling fees to support the healthy development of financial lease companies. In May 2018, the regulatory functions with respect to financial lease companies was delegated to the China Banking and Insurance Regulatory Commission. Such tightening trend of regulation will increase the industry barriers and the market share of leading companies. With the increasing regulation, the importance of risk management will be highlighted, making the establishment of a compliance management mechanism and the reinforcement of full risk management become a necessary to companies in the industry, especially to the sustainable healthy development of financial lease companies.

In recent years, the third party payment industry thrived. As payment is an entry where the volume flow and data are acquired, it will be converted into a marketing service with the support from big data analysis. The operation strategies and operation models in payment market will also become more diversified. With the arrival of mobile payment era, suppliers in the payment industry have to change fast in order to adjust to new business pattern and mode.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to its own characteristics, the venture capital industry is closely connected with the real economy of our country. To promote the development of venture capital industry will form a significant driving force to our country's innovation and entrepreneurship and effectively solve the financing problems faced by SMEs in China. In 2018, the venture capital industry was challenged by domestic financial deleveraging, the extension of exit cycle caused by new requirements on shareholding reduction, new requirements on capital management, etc., leading to an overall weak investment momentum. During the past years when the overall atmosphere was relatively good for the venture capital industry, income tax burden to those companies were uncertain. With this year's situation like the overall cooling atmosphere and incoming transformation in the venture capital industry and the shrinkage of the size of investment and financing as well as of the profits of the relevant enterprises, the impact from income taxes will be magnified. During the Reporting Period, the Executive Meetings of the State Council have decided to implement income tax preferences to promote the development of venture capital and offered two standards for venture capital firms to choose their own way to pay taxes. The implementation period is provisionally set for 5 years from January 1, 2019 in order to reduce the tax burden of the individual partners of venture capital firms. As an important decision on increasing support to innovation and entrepreneurship, it is not only a favourable policy for the venture capital industry, but also a timely incentive for the venture capital industry in difficulties to pursue good quality development. The launch of the science and technology innovation board is another major innovative measure to build a multi-layered capital market system and support technology innovation enterprises as it will give more support to the direct financing of technology innovation enterprises, provide new exit channels for the venture capital industry, enhance the detection function in relation to market values and promote listed companies to compete in good order and create important meaning.

(I) Development Strategy of the Company

In 2019, the Company will continue to adhere to the corporate development strategy of "simultaneous development of public utility and financial investment", so as to ensure the fulfillment of the requirements of corporate governance as well as stringent regulatory requirements of Hong Kong and Shanghai. We will increase the proportion of investment in major projects of our primary public utility business, continue to explore investment and M&A opportunities of quality projects, expand the layout of the Company's overseas businesses stably and optimize the platform for external investment in an ongoing manner. Also, we will focus on improving the Company's centralized management and control of informatized construction and the effective implementation of business and finance integration, put more efforts in the recruitment and nurture of the Company's human resources and strengthen the appraisal of the staff from various functional departments of each subsidiary, all with an aim of ensuring the rapid and stable business operations of the Company.

(II) Operation Plan

1. Focus on development of our primary public utility business and effectively promote the progress of project construction

   The Company has always been adhering to its principle of prioritising its principal business development and striving to lay down a solid foundation for its two principal businesses, namely gas and environment segments. We will develop our primary public utilities business by further extending its footholds to upstream and downstream of the industrial chains and covering local and overseas markets, striving to establish an industrial layout in which resources control, marketing and industrial services may provide support for each other.

2. Accelerate the layout in financial investment industry through various investment platforms

   Adhering to the development strategy of "simultaneous development of public utility and financial investment", the Company will keep an eye on any investment opportunities. For investment platforms by way of equity investment of the Company, in addition to sharing their stable results, the Company will strengthen cooperation in sharing opportunities for quality investment projects. For our own financial industry, Dazhong Financial Leasing will proactively promote the development of small-amount and bulk business, and Dazhong Commerce will continuously optimize payment methods and payment scenarios and expand cooperation opportunities with other quality platforms.

3. Accelerate informatized construction and regulate corporate internal management

   It is necessary for the Company to further leverage on the important functions of informatization, such as corporate operation, intensified development and refined management, in accordance with the requirements of standard top-level design and middle-level management and control as well as systematic grassroots-level collection, so as to strongly support the upgrade and development of the Company's operation and management.

   The Company attaches great importance to internal control management so as to strengthen its risk prevention. For internal control, the Company will continuously strengthen and improve the effectiveness and systematization of its internal control mechanism. To satisfy the requirements of different business development in different periods, dynamic management will be adopted for internal control. Also, we will improve our internal audit supervision and inspection to reflect our independence and authority, and continue to perform evaluation on the effectiveness of internal control management.

4. Expand financing scale and promote rational and effective use of funds

   In 2019, the Company will diversify financing channels and expand financing scale by endeavouring to connect with banks, securities dealers and insurers. We will apply debt financing instruments more flexibly and issue corporate bonds or ultra-short-term notes of different terms when opportunity arises, with an aim of fulfilling the Company's needs on short-term revolving funds, debt repayment and financing of major investment projects.

   The Company will strictly control and monitor the rationality and legitimacy of cash flows from its subsidiaries through its financial information system, so as to fully supervise the financial status of its subsidiaries. The Company shall make a reasonable capital allocation to improve the efficiency of capital use, then to ensure the reasonable use of funds and effectively prevent the risk of capital operation.

5. Establish a talent reserve system and strengthen the informatized construction of human resources

   The Company is entering a new phase of corporate development. With the gradual expansion of business and continuous enhancement of requirements for management and control, in 2019, the Company will continue to work on the recruitment and reserve of talents, so as to ensure the operators of the primary public utility business, expatriate personnel of overseas projects and staff for investment projects needed by the Company will be satisfied. At the same time, we will establish and improve our internal talent development system, so as to provide sufficient talents for achieving our strategic goals. We will also ensure the completion of the design, development and launch of the performance management system and the budget and final account module under the EHR human resources information system.

(III) Potential Risks

1. Risk of pricing policies

   Municipal gas supply, wastewater treatment, urban transportation and infrastructure investment and operation all belong to public utility sector which is for generating economic benefits as well as social welfare. The development and profit level of these activities are subject to certain policy risks. The pricing model and pricing mechanism of the government for gas, wastewater treatment and urban taxi transportation may affect the profitability of the Company. The Company will leverage its advantages in various aspects to actively explore new markets, increase its market shares and optimize the combination of volumes and prices, so as to maximize the Company's benefits.

2. Risk of market competition

For the present, the taxi business under the urban transportation segment of the Company still holds a considerable market share in the taxi market in Shanghai and other cities and provinces. However, the increasing pressure brought by the vicious competition from various third-party platforms to traditional taxi enterprises in relation to operation, service quality and stability of labour may have material impact on the profitability of the taxi business of Dazhong Transportation. Dazhong Transportation will stick closely to the concept of high-quality development in order to gradually achieve the transformation of its business objective from quantity orientation to quality orientation. It will intensify the integration with Dazhong Chuxing, grasp a right time to initiate its plan of "one man, one car, one platform" and improve the experience and promotion of the online car hailing services.

3. Risk of environmental protection

As one of the Company's principal activities, wastewater treatment is subject to stringent requirements under the PRC's laws and regulations and policies in relation to environmental protection. In recent years, the PRC has been enhancing its efforts in the enforcement of the environmental protection policies. If as a result of any change in such policies, adjustments are required for certain technical standards of the industry where the Company operates, or if any environment-related accidents happens to the Company, the production and operation of the wastewater treatment enterprises owned by the Company may be put under pressure. The Company will put forward more stringent requirements on environmental protection, to enhance environmental protection awareness and reduce the potential risks to be brought by the changes in environmental protection policies.

4. Financial and credit risk

The services with financial characteristics (namely financial leasing) of the Company are provided to individual and enterprise customers. If any individual or enterprise customer fails to fulfill his/her/its contractual obligations or liabilities for subjective or objective reasons, the results of operations, financial position and profitability of the Company may be adversely impacted. Dazhong Financial Leasing has always strictly followed a 3 level project review system to operate its projects. It focuses on comprehensively evaluating four aspects, namely the economy and financial feasibility of projects, the market risks and policy risks of projects, the compliance, legal risks and moral risks of projects, and the economic and risk appetite of the Company. In the meantime, it continues to reinforce the contract review and signing sections, place more projects into review and approval procedures and further improve its control over loan risks.

5. Investment risk of financial investment business

The Company adheres to the corporate development strategy of "coordinated development of public utility and financial investment" and actively promotes the financial investment business. As venture capital business is inherently risky, the Company's investment in financial investment sector may be subject to certain investment risk. The Company will strengthen its corporate management as a platform, meanwhile enhancing the professional competency of its internal investment team and optimizing the systems to improve the profitability.

6. Risk of overseas investment and exchange rate fluctuation

Due to the significant differences existing between overseas and domestic investment environments in relation to policies, laws, business and cultures, it is an objective fact that there are some unpredictable risks which may lead to failure in overseas investment, including political risk, cultural risk and market risk. In addition, affected by domestic and foreign economic and political situations as well as the supply and demand of currencies, the exchange rates of RMB against other currencies in the future may be different from the prevailing exchange rates, which may have the risk of affecting the Company's results of operations. The Company will establish and optimize the overseas investment mechanism and build up a team of professionals, to ensure the Company can make accurate judgments regarding investment projects so as to reduce or prevent the risks of overseas investments.

7. Risk of production safety

The sale of gas and construction of gas pipelines of the Company is susceptible to a number of uncertainties. In recent years, with the continuously improving safety standards of the operation and construction of gas pipelines, the Company is facing pressure in safe production. The Company will continue to improve the dual mechanism of hierarchical control of safety risks and identification and elimination of hidden risks, promote the development of our corporate safety culture and enhance the employees' safety awareness and emergency handling abilities.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Company for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The principal business activities of the Group included piped gas supply, wastewater treatment, public infrastructure projects, transportation services and financial services. etc. For details, please refer to the section headed "Management Discussion and Analysis" of this annual report.

The breakdown of the Group's revenue by operational segments is as follows:

	Year ended December 31,			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Public Utility Services				
Piped gas supply	**4,553,686**	**89.95**	4,387,723	92.53
Wastewater treatment	**279,523**	**5.52**	206,909	4.36
Public infrastructure projects	**48,617**	**0.96**	49,291	1.04
Transportation service	**54,501**	**1.08**	–	0.00
	4,936,327		4,643,923	
Financial Services				
Micro-credit	**1,323**	**0.03**	20,698	0.44
Financial leasing	**124,726**	**2.46**	77,329	1.63
Total	**5,062,376**	**100.0**	4,741,950	100

Details of the principal activities of the principal subsidiaries are set out in note 25 to the financial statements of this annual report.

REPORT OF THE DIRECTORS

There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESTRICTED ASSETS AS OF THE END OF THE REPORTING PERIOD

Please refer to cash and cash equivalents and pledged deposit set out in note 36 and borrowings set out in note 37.

BUSINESS REVIEW

A review of the business of the Group, the risks which may be encountered, discussions on the future business development and analysis of the Group using financial key performance indicators are set out in the section headed "Management Discussions and Analysis" of this annual report. For details of significant events which had impacts on the Group, please refer to the section headed "Significant Events" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2018, purchases from the five largest suppliers and the largest supplier of the Group, Shanghai Gas Group, accounted for 87.90% and 69.59% (2017: 84.6% and 68.5%) of the total purchases of the Group, respectively. Save as disclosed above, none of Directors, their close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the issuers' share capital) has any interest in the five largest suppliers of the Group.

For the year ended December 31, 2018, overall sales from the five largest customers of the Group accounted for less than 30% of the overall sales of the Group.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Relationship with Employees

The Group is of the view that employees are the most important assets of the Group and attaches great importance to maintaining good relationship with employees. The Group is committed to provide our staff with a stable working environment and continues to uphold the principles of impartiality, fairness and merit-based employment, and constantly improves the criteria for personnel selection and appointment. To retain talents, the Group has offered employees with competitive remuneration package, which includes basic wages, bonuses and other staff benefits. The Group also provides social insurance and other benefits to 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. The Group also provides on-the-job training to its employees from time to time. For details, please refer to the 2018 Environmental, Social and Governance (ESG) Report of Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業（集團）股份有限公司), which will be published on the websites of Hong Kong Stock Exchange on April 25, 2019.

Relationship with Suppliers

With respect to the Group's piped gas supply business, the Group outsources to independent third-party professional subcontractors with requisite qualifications, especially for large-scale pipeline construction in Shanghai and Nantong Areas. The Group generally selects third-party subcontractors from a list of qualified constructors and has established long-term strategic relationship with certain subcontractors. The subcontracting fees are individually negotiated and project-specific, and generally in line with market standards. The Group oversees the projects to ensure that the construction of the pipelines is carried out in accordance with all the relevant standards and regulations. The construction is also supervised by third-party professional supervision companies engaged by the Group, in addition to the Group's own on-site supervision engineers.

The suppliers for piped gas business also include upstream gas distributors. The Group's piped gas supplier in Shanghai is Shanghai Gas Group, who is the Group's minority shareholder and holds a 50% equity interest in Dazhong Gas. The Group's piped gas supplier in Nantong Area is CNPC. In Shanghai, guidance procurement price of piped gas is set by Shanghai Construction Administration. In Nantong Area, the Group's procurement price of piped gas is negotiated with the upstream piped gas supplier pursuant to the benchmark gateway station prices set by NDRC.

The Group conducts the wastewater treatment and public infrastructure projects business mainly through BT and BOT contracts. The Group mainly engages third-party professional designing companies and construction companies who act as contractors during the construction phase of such projects. The Group values its relationship with suppliers and has established long-term relationship with several of its subcontractors in respect of construction, repair and maintenance of the projects.

Relationship with Customers

The Group's customers in piped gas supply business are commercial entities and individual households which use the piped gas the Group delivered. Due to the nature of the gas supply business, the Group is generally able to retain its customers once they are connected to the Group's gas supply network and use the Group's gas supply services, unless such customers relocate from their current premises.

The Group is committed to provide safe and reliable services to our customers. The Group is responsible for the repair and maintenance services to customers for pipelines on their premises and related accessories and the Group operates a service center and several service branches where end users can make payment or schedule repair and other services. The Group's safety and service department sets safety and maintenance measures and monitors the implementation of such measures. It has a maintenance schedule pursuant to which the maintenance crew performs inspection and maintenance work on the Group's pipeline network. The Group also engages third-party contractors to perform certain regular pipeline inspection and maintenance works and closely monitors the operations of such contractors.

The Group charges different retail prices for residential and non-residential end users pursuant to the relevant regulations. Retail prices for non-residential usage, such as by industrial and commercial end users, are generally higher than those for residential usage. Local DRC and/or price bureau may adjust the retail prices from time to time due to various reasons, such as in response to increases of piped gas gateway station prices mandated by NDRC, inflation, or for other local considerations. For certain non-residential users with a high consumption of piped gas, the Group generally enters into individual supply agreements with them.

The Group conducts its environment and public infrastructure projects business mainly through BOT, TOT or BT contracts under which the customers are local governments. The Group is entitled to operate the plants for a concession period in exchange for service fees payable to the Group by the relevant local governments. The fees received by the Group during the concession periods are based on the treatment volume and the unit price set forth in the relevant concession agreements. The Group generally requests and receives payment of concession fees monthly from the relevant local governments.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is subject to various PRC environmental laws and regulations, including, but not limited to, the Environmental Protection Law of the PRC (《中國環境保護法》), the Law of the PRC on Appraising Environment Impact (《中國環境影響評價法》) and the Law of the PRC on the Prevention and Control of Water Pollution (《中國水污染防治法》). The Group has adopted various measures to promote environmental protection, reduce the emission of greenhouse gas, noise and hazardous waste, improve the efficiency of the use of raw materials and reduce the consumption of natural resources. For details, please refer to the 2018 Environmental, Social and Governance (ESG) Report of Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業（集團）股份有限公司), which will be published on the website of Hong Kong Stock Exchange on April 25, 2019.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS OF SIGNIFICANT INFLUENCE

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations (particularly, those that have significant impact on the Group, including but not limited to the Company Law of the PRC, the Securities Law of the PRC, Code of Corporate Governance for Listed Companies (《上市公司治理準則》) issued by the CSRC, CG Code, the Hong Kong Listing Rules, and the listing rules of the Shanghai Stock Exchange. The Board is responsible for monitoring the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

To the best knowledge of the Company, it has complied in all material aspects with relevant laws and regulations which have significant impact on its business and operation during the year ended December 31, 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2018 are set out in note 20 to the financial statements of this annual report.

REPORT OF THE DIRECTORS

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended December 31, 2018 are set out in note 21 to the financial statements of this annual report.

RESULTS AND DIVIDENDS

The Group's result and financial position for the year ended December 31, 2018 are set out in the financial statements and the accompanying notes from pages 137 to 290 of this annual report.

The Board recommends the payment of a final dividend of RMB0.60 per ten shares (including tax), amounting to RMB177 million in aggregate, from the Company's retained distributable profit for the year ended December 31, 2018. The payment of the final dividend is expected to be made on or before August 9, 2019, subject to consideration and approval of the shareholders at the AGM.

In order to determine the Shareholders who are entitled to receive the final dividends, the register of members of the Company will be closed from June 18, 2019 to June 23, 2019, both days inclusive, during which no transfer of shares will be registered. In order to ensure the entitlement to the final dividends, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on June 17, 2019.

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends during the Reporting Period.

TAX RELIEF

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法（試行）〉的通知》(國稅發[2009] 124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011] 348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (or Macau).

For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008] 897號)). Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The AGM will be held on June 12, 2019, while the notice of the AGM will be published and dispatched to Shareholders of the Company in the manner as stipulated on the Hong Kong Listing Rules on April 25, 2019.

In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from May 13, 2019 to June 12, 2019, both days inclusive, during which no transfer of shares will be registered. Only Shareholders of the Company whose names appear on the register of members of the Company on May 10, 2019 or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on May 10, 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section headed "Five-Year Financial Summary" in this annual report.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in the section "Changes in Share Capital and Information on Shareholders" of this annual report and in note 46 to the financial statements in this annual report.

SUBSIDIARIES

Particulars of the names, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 25 to the financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

CAPITAL RESERVES, SPECIAL RESERVES AND SURPLUS RESERVES

Changes to capital reserves, special reserves and surplus reserves of the Group and the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity and note 47 to the financial statements in this annual report.

DIRECTORS AND SUPERVISORS

The Directors in office during the Reporting Period and up to the Latest Practicable Date are as follows:

Executive Directors
Mr. Yang Guoping (楊國平) *(Chairman of the Board)*
Mr. Liang Jiawei (梁嘉瑋) *(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)

The Supervisors in office during the Reporting Period and up to the Latest Practicable Date are as follows:

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

Further details of the Directors and Supervisors are set forth in the section headed "Directors, Supervisors and Senior Management" of this annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out in the section "Directors, Supervisors and Senior Management" of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and Supervisors has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACT, TRANSACTIONS OR ARRANGEMENTS OF SIGNIFICANCE

Save as disclosed in this annual report, during the Reporting Period, none of the Directors or Supervisors had any material interest, either directly or indirectly, in any contract, transactions or arrangements of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or Supervisor or an entity connected with a Director or Supervisor has a material interests was entered into or subsisted during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contracts, transactions or arrangements of significance were entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors and Supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors or Supervisors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period, the Company has purchased liability insurance cover for certain legal actions brought against the Directors, Supervisors and senior management. Save for the aforementioned, the Company did not have any arrangement with a term providing for indemnity against liability incurred by the Directors and the Supervisors during their tenure.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, as at the Latest Practicable Date, the Company has been maintaining the sufficient public float as required by the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the PRC where the Company is established.

CHARITABLE DONATIONS

During the year ended December 31, 2018, the Group made charitable donations of approximately RMB1.0837 million.

CONTINUING CONNECTED TRANSACTIONS

Below is the information required to be disclosed in compliance with Chapter 14A of the Hong Kong Listing Rules.

1. Master Gas Purchase Agreements with Shanghai Gas Group Signed in 2015

During the year, Dazhong Gas purchased natural gas from Shanghai Gas Group in its ordinary course of business at the total consideration of RMB2,710 million.

On December 16, 2015, Dazhong Gas entered into a framework gas purchase agreement (the "Framework Agreement") and a supplemental agreement (the "Supplemental Agreement", together with the Framework Agreement, the "Master Gas Purchase Agreements") with Shanghai Gas Group in connection with the purchase of piped gas, pursuant to which the parties confirmed and agreed on the expected annual supply volume of piped gas and other volume based parameters each year. The Framework Agreement has a term of 20 years from January 1, 2014 to December 31, 2033. The Supplemental Agreement has a term from December 16, 2015 until December 31, 2018.

Based on the Master Gas Purchase Agreements, the consideration paid to Shanghai Gas Group for the purchase of piped gas are RMB2,600 million, RMB2,660 million and RMB2,720 million for the three years ending December 31, 2016, 2017 and 2018, respectively. Since it is difficult to estimate the piped gas consumption over an extended period, according to the Framework Agreement and in line with the normal business practice in piped gas supply industry in Shanghai, additional five-year annual plans for the amount of piped gas to be supplied in the future shall be further agreed between the parties before December 31, 2018, 2023 and 2028. According to the relevant PRC laws and regulations, the price of the natural gas purchased by the Group from Shanghai Gas Group is fixed by the relevant local competent authorities. As Shanghai Gas Group is a substantial shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules. The purchase of the natural gas by Dazhong Gas from Shanghai Gas Group constitutes continuing connected transactions of the Group upon Listing.

2. Sale and Leaseback of Assets

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 ("Title Transfer Agreement I"), pursuant to which Dazhong Jiading Sewage agreed to sell certain assets ("Assets I") to Dazhong Financial Leasing at a consideration of RMB150 million (equivalent to approximately HK$168 million). On the same date, Dazhong Jiading Sewage and Dazhong Financial Leasing entered into a leaseback contract I ("Leaseback Contract I"), pursuant to which Dazhong Financial Leasing agreed to leaseback Assets 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 Assets I back to Dazhong Jiading Sewage or any third party as designated by Dazhong Jiading Sewage at a nominal price of RMB100.

Pursuant to the Leaseback Contract I, Assets I shall be leased back to Dazhong Jiading Sewagee during the lease period at the total rents of RMB163,179,287.76 (equivalent to approximately HK$182,760,802.29), which was determined after arm's length negotiation between the parties with reference to the prevailing market practices. The lease period is for 3 years.

Dazhong Financial Leasing is a non-wholly owned subsidiary of the Company. It is also directly owned as to 15% by 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 of Assets I contemplated under the Title Transfer Agreement I constitutes a connected transaction and the leasing of Assets I contemplated under the Leaseback Contract I constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

3. Sale and Leaseback of Assets Agreements Signed in 2018

On July 23, 2018, Dazhong Financial Leasing, being a subsidiary of the Company, entered into a title transfer agreement and a leaseback agreement with Dazhong Business Management and Shanghai Dazhong Xingguang Taxi Co., Ltd.* (上海大眾星光出租汽車有限公司). The assets were transferred from Dazhong Business Management and Shanghai Dazhong Xingguang Taxi Co., Ltd* to Dazhong Financial Leasing. Meanwhile, the assets shall be leased back to Dazhong Business Management and Shanghai Dazhong Xingguang Taxi Co., Ltd* which are also obliged to pay rents. The title transfer and leaseback of assets do not constitute a significant asset restructuring under the Administrative Measures on Significant Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》).

Dazhong Financial Leasing is a non-wholly owned subsidiary of the Company. Dazhong Business Management is the substantial shareholder of the Company. Shanghai Dazhong Xingguang Taxi Co., Ltd* (上海大眾星光出租汽車有限公司) is the subsidiary of our substantial Shareholder, Dazhong Business Management. In addition, Mr. Yang Guoping (楊國平) and Mr. Liang Jiawei (梁嘉瑋), who are the executive Directors of the Company, are also the directors of Dazhong Business Management. The title transfer constitutes a connected transaction for the Company under the Hong Kong Listing Rules. Since the highest applicable percentage ratio in respect of the title transfer is more than 0.1% but less than 5%, the title transfer is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The leaseback also constitutes a continuing connected transaction for the Company under the Hong Kong Listing Rules. As all applicable percentage ratios (other than the profits ratio) in respect of the annual caps exceed 0.1% but are less than 5%, the leaseback is only subject to the reporting, annual review and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The above continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended December 31, 2018.

The independent non-executive Directors has reviewed the continuing connected transactions as described above and confirmed that during the Reporting Period, such transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditor of the Company has sent a letter to the Board and confirmed, with respect to the aforesaid continuing connected transactions:

(i) nothing has come to its attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to its attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to its attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value in respect of each of the disclosed continuing connected transactions.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company has entered into the following transactions with connected persons as defined in the Hong Kong Listing Rules:

Equity Transfers

On December 11, 2018, the Company, Junxiang Industrial, and Shanghai Hongjie Investment Co., Ltd.* (上海鴻捷投資有限公司) ("Hongjie Investment") as transferors, and SCGI and SEARI as transferees, entered into the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) (the "Contract"). The total consideration of the Contract was RMB47,938,200, of which the consideration of the respective shares of Target transferred by the Company, Junxiang Industrial and Hongjie Investment were RMB34,955,000, RMB11,984,500 and RMB998,700, respectively. Pursuant to the Contract, the transferors agreed to transfer 12,000,000 shares of Shanghai Electronic Intelligence System Co., Ltd.* (上海電科智慧系統股份有限公司) (the "Target") held by them (representing 8% of total equity of the Target) to the transferees. Of which, 8,750,000 shares, 3,000,000 shares and 250,000 shares were transferred by each of company, Junxiang Industrial and Hongjie Investment, representing 5.83%, 2% and 0.17% of total equity of the Target, respectively. SCGI acquired 8,750,000 shares and 1,250,000 shares from the Company and Junxiang Industrial, respectively. SEARI acquired 1,750,000 shares and 250,000 shares from Junxiang Industrial and Hongjie Investment, respectively. On the same date, SEARI, the Company, Junxiang Industrial, Hongjie Investment, Shanghai Dazhong Technology Co., Ltd.* (上海大眾科技有限公司), Shanghai Electronic Venture Investment Co., Ltd.* (上海電科創業投資有限公司) and SCGI also entered into a capital injection agreement. Pursuant to the Capital Injection Agreement, all parties agreed that the increased amount in registered capital of the Target was unilaterally subscribed by SCGI for a consideration of RMB199,740,000, of which RMB50,000,000 would be contributed to the registered capital of the Target, while the remaining RMB149,740,000 would be credited to the capital reserve of the Target as premium. Upon the completion of such capital injection, the registered capital of the Target would increase to RMB200,000,000 from RMB150,000,000. Junxiang Industrial is a wholly-owned subsidiary of Dazhong Business Management, the substantial shareholder of the Company and therefore is a connected person of the Company. In addition, Mr. Yang Guoping (楊國平) and Mr. Liang Jiawei (梁嘉瑋), who are the executive Directors of the Company, are also the directors of Dazhong Business Management. The Transactions contemplated under the Contract and the Capital Injection Agreement constitute connected transactions for the Company under the Hong Kong Listing Rules. Please refer to the announcement fo the Company date December 12, 2018 for details.

REPORT OF THE DIRECTORS

On March 29, 2018, the Company entered into the "Shanghai Assets and Equity Exchange Contract" with Dazhong Business Management and Yiyang Landscaping to acquire 61.67% and 18.33% of equity interest in Dazhong Run held by Dazhong Business Management and Yiyang Landscaping, respectively, for a consideration of RMB74 million and RMB22 million, respectively. The total consideration amounted to RMB96 million. Following the completion of the Transaction, Dazhong Run will become a subsidiary of the Company and the shareholding interest of the Company in Dazhong Run will increase from 0% to 80%. Dazhong Business Management owned 18.83% of the Company and is a substantial shareholder of the Company. Mr. Yang Guoping (being the Chairman of the Company), Mr. Liang Jiawei (being a Director) and Ms. Zhao Siyuan (being a supervisor of the Company) are also the directors of Dazhong Business Management. Yiyang Landscaping is a wholly-owned subsidiary of Dazhong Business Management. Accordingly, each of the sellers is a connected person of the Company, and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 50 to the financial statements. Save as disclosed in the paragraphs headed "Continuing Connected Transactions" and "Connected Transactions" in this annual report, the related parties transactions disclosed in note 50 are not "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Hong Kong Listing Rules, or they were exempt from reporting, announcement and shareholders' approval pursuant to Chapter 14A of the Hong Kong Listing Rules.

PERFORMANCE OF NON-COMPETITION AGREEMENT

To ensure that Dazhong Business Management does not compete with the Company, Dazhong Business Management entered into a non-competition agreement with the Company on November 2, 2016 (the "Non-competition Agreement") which was effective upon listing. Details of the Non-competition Agreement are set out in the section headed "Substantial Shareholders — Non-competition Agreement" of the prospectus of the Company dated November 23, 2016.

Dazhong Business Management has provided the Company with a written confirmation confirming that, as of December 31, 2018, it has complied with the undertakings under the Non-competition Agreement. The Directors (including the independent non-executive Directors) have reviewed the status of compliance with the undertakings under the Non-competition Agreement by Dazhong Business Management and have confirmed that, as far as they can ascertain, Dazhong Business Management has complied with the undertakings thereunder throughout the period.

EQUITY-LINKED AGREEMENT

During the Reporting Period, the Group has not entered into any equity-linked agreements.

SUBSEQUENT EVENTS

Since the end of the Reporting Period and up to the date of this report, no material issues relevant to the results or financial performance of the Group were required to be disclosed.

COMPLIANCE WITH CG CODE

The Company has adopted the CG Code 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.

Further information on the corporate governance practices of the Company is set out in the section "Corporate Governance Report" of this annual report.

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 during 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 favourable that 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended December 31, 2018.

AUDITOR

The consolidated financial statements of the Group have been audited by BDO.

BDO will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for re-appointing BDO as the auditors of the Company will be proposed at the forthcoming AGM. The Company has not changed its auditor in any of the past three years.

By order of the Board
Shanghai Dazhong Public Utilities (Group) Co., Ltd.*
Chairman of the Board
Yang Guoping

March 29, 2019

** For identification purpose only*

SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL

(I) Formulation, implementation or adjustments of profit distribution policy

1. Formulation of profit distribution policy

In order to further strengthen and improve the scientific, sustainable and stable dividend decision-making and supervision mechanism of the Company and actively return benefits to investors, the Company formulated the clear profit dividend policy and its implementation and adjustment mechanism in the Company's Article of Association according to the Listed Companies Regulatory Guidance No.3 – Cash Dividends Distribution of Listed Companies (Notice of CSRC [2013] No.43) (《上市公司監管指引第3號－上市公司現金分紅》(證監會公告[2013]43號)) issued by CSRC.

Summary on profit distribution policy of the Company

(I) Principle of Profit Distribution:

The profit distribution of the Company shall focus on a reasonable investment return for investors. Every year, the Company shall determine a reasonable profit distribution plan according to its current operation and capital requirement plan for project investments, while keeping the continuance and stability of its profit distribution policy. The profit distribution of the Company shall neither exceed the scope of its accumulated distributable profit nor affect the Company's on-going operation and its development ability.

(II) Elements of the Profit Distribution of the Company:

The Company may distribute dividend by cash, shares or a combination of both, and with priority given to the distribution of dividend by cash.

(III) Adjustment to Profit Distribution:

If the Company determined that there is a true need for adjusting the profit distribution policy due to its requirements from production and operation, investment plan and long-term development, etc., the profit distribution policy adjusted shall not breach the relevant requirements of the CSRC and the Shanghai Stock Exchange. The resolution in relation to the adjustment to the profit distribution policy shall seek opinions from the independent directors and the board of supervisors, satisfy the corresponding decision-making procedures and be approved by over 2/3 of the voting rights of the Shareholders attending the general meeting in advance.

(IV) Decision-making Procedures Required for Profit Distribution:

1. When formulating the profit distribution plan, the board of directors shall actively communicate Shareholders, especially small and medium Shareholders, though multiple channels, fully listen to small and medium Shareholders' opinions and demand, and promptly reply small and medium Shareholders' concerns.

2. When considering the profit distribution plan, the board of directors shall make careful study on and argumentation for the timing, conditions, minimum proportion, etc. of the distribution of dividend by cash, have independent directors explicitly express their views and fully listen to the opinions from the board of supervisors.

2. Implementation of profit distribution policy

During the reporting period, the Company strictly carried out the profit distribution policy and implemented the profit distribution plan for 2017: based on the Company's total share capital of 2,952,434,675 shares before the implementation of this profit distribution plan, cash bonus of RMB0.06 (tax inclusive) were distributed for every share, amounting to a total cash bonus distribution of RMB177,146,080.5. Such profit distribution policy has been considered and passed at the 2017 AGM held on May 17, 2018 and such profit distribution has been completed on July 16, 2018. This profit distribution complied with the Articles of Association and the requirements resolved at the general meeting, and the decision-making process was in compliance with relevant requirements. For details, please refer to the 2017 Interests Distribution Implementation Announcement (《2017年年度權益分派實施公告》) dated July 10, 2018 published by the Company on China Securities Journal (《中國證券報》), Shanghai Securities News(《上海證券報》), Securities Times (《證券時報》) and the website of Shanghai Stock Exchange (http://www.sse.com.cn).

3. Adjustment of profit distribution policy during the reporting period

During the Reporting Period, the Company did not adjust the profit distribution policy.

(II) Plan or proposal for distribution of dividend on ordinary shares or for conversion of capital reserve into share capital of the Company for the last three years (including the Reporting Period)

Unit: '000 Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (including tax)	Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement During the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)
2018	–	0.60	–	177,146	478,489	37.02
2017	–	0.60	–	177,146	474,133	37.36
2016	–	0.60	–	177,146	547,642	32.35

(III) Repurchase offer by cash included in cash dividend

Not applicable

(IV) Earnings and distributable profits available for ordinary shareholders of parent company during the reporting period being positive while plan for profit distribution of ordinary shares in cash is not yet proposed, the Company shall disclose the reasons in detail and the purposes and proposed applications of undistributed profits

Not applicable

II. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings of the de facto controller of the Company, shareholders, related parties, acquirer and the Company during or subsisting to the Reporting Period applicable

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Other undertaking	Others	Shanghai Dazhong Public Utilities (Group) Co.,Ltd.*(上海大眾公用事業(集團)股份有限公司)	In the coming 6 months, Company will not decrease their shareholding in A shares or B shares of Dazhong Transportation	Within the statutory deadline	Yes	Yes	–	–

III. THE APPOINTMENT AND DISMISSAL OF ACCOUNTANTS

	Current appointment
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of the domestic accounting firm	RMB1.5 million
Term of audit of the domestic accounting firm	19 years
Name of the overseas accounting firm	BDO
Remuneration of the overseas accounting firm	HK$1.3 million
Term of audit of the overseas accounting firm	3 years

	Name	Remuneration
Accounting firm for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP	RMB0.4 million

Discription on appointment and dismissal of accountants

On May 17, 2018, the Company considered and passed the Proposal on Reappointment of Domestic Audit Firms and Internal Control Audit Firms for 2018, and the Proposal on Appointment of Overseas Audit Firms for the Company in 2018 at 2017 AGM. The meeting agreed to reappoint BDO China Shu Lun Pan Certified Public Accountants LLP as the domestic financial audit firm and internal control audit firm for the Company in 2018, and appoint BDO as the overseas financial audit firm.

IV. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the year.

V. MAJOR CONTRACTS AND PERFORMANCE

(I) Guarantees

Unit: Yuan Currency: RMB

Guarantees given by the Company for other entities (excluding those provided to subsidiaries)													
Guarantor	Relationship Between guarantor and listed company	Guarantee	Guaranteed amount	Actual effective date of guarantee (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
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													0
Guarantees provided by the Company to subsidiaries													
Total guaranteed amount to subsidiaries during the Reporting Period													1,682,607,194.53
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)													1,527,043,555.45
Total guarantees (including guarantees to subsidiaries) provided by the Company													
Total guaranteed amount (A+B)													1,527,043,555.45
Total guaranteed amount as a percentage of the net asset value of the Company (%)													20.63%
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)													1,312,229,526.37
Total guaranteed amount in excess of 50% of net asset value (E)													0
Total guaranteed amount of the above three items (C+D+E)													1,312,229,526.37
Statement on the contingent joint liability in connection with unexpired guarantees													/
Details of guarantees provided by the Company													/

(II) ENTRUSTING OTHERS TO MANAGE CASH ASSETS

(1) Entrusted Financial Management

Unit: Yuan Currency: RMB

Type	Source of funds	Amount	Outstanding balance	Overdue amount
Bank wealth management products	Own fund	70,000,000.00	70,000,000.00	0
Insurance wealth management products	Own fund	80,000,000.00	80,000,000.00	0

(2) Individual Entrusted Financial Management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of Entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected Return (if any)	Real income or loss	Real recovery	Through a legal procedure or not	Whether the future entrusted loans exist	Impairment provision amount (if any)
Taiping Pension Company Limited	Insurance wealth management products	20,000,000.00	2018/1/29	2019/1/30	Own fund	Hybrid portfolio	Market rate	5.300%		1,067,554.06	Redeemed	Yes		
Bank of Jiangsu	Bank wealth management products	30,000,000.00	2018/7/18	2019/1/18	Own fund	Structured deposit	Market rate	4.800%		720,875.00	Redeemed	Yes		
Industrial Bank	Bank wealth management products	20,000,000.00	2018/7/13	2019/7/12	Own fund	Structured deposit	Market rate	4.838%	967,600.00		Not matured	Yes		
Bank of Jiangsu	Bank wealth management products	30,000,000.00	2018/9/3	2019/3/4	Own fund	Structured deposit	Market rate	4.800%		724,583.33	Redeemed	Yes		
Taiping Pension Company Limited	Insurance wealth management products	50,000,000.00	2018/10/18	2019/10/21	Own fund	Hybrid portfolio	Market rate	4.800%	2,400,000.00		Not matured	Yes		

SIGNIFICANT EVENTS

VI. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On January 31, 2018, a subsidiary of the Group entered into a share transfer agreement to dispose 50% of its subsidiaries, namely Shanghai Minhang Micro-credit Co., Ltd.* (上海閔行大眾小額貸款股份有限公司) ("Dazhong Micro-credit") which principally were engaged in micro-credit services. Details of disposal of Dazhong Micro-credit set out in note 9 to the financial statements in this annual report.

On June 29, 2018, the Group acquired 80% of the equity interest of Dazhong Run and its subsidiary, a group whose principal activity is provision of transportation services. The acquisition was made with the aims to expand the Group's business. Details of acquisition of Dazhong Run set out in note 10 to the financial statements in this annual report.

Save as disclosed above and elsewhere in this report, the Group did not have any other significant investments or material acquisitions or disposals for the year ended December 31, 2018.

VII. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transaction related to day-to-day operation

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

(1) Dazhong Gas, Nantong Dazhong Gas and other subsidiaries of the Company acquired natural gas from Shanghai Gas Group, the second largest shareholder of the Company and Dazhong Gas leased an office premise from Shanghai Gas Group.

In 2018, Shanghai Dazhong Gas Co., Ltd, which is a subsidiary of the Company purchased gas with volume of 112,936.87 thousand m³ from Shanghai Gas (Group) Co.,Ltd. at consideration payable of RMB29,931,860,000 (tax inclusive). The payment for gas purchased in amount of RMB2,810,000,000 was settled in 2018. As at December 31, 2018, the outstanding amount was RMB929,182,400, after taking into account of unsettled amount of RMB745,996,400 in previous year.

(2) In 2018, Shanghai Dazhong Gas Co., Ltd, which is a subsidiary of the Company leased office space from Shanghai Gas (Group) Co.,Ltd., incurring the asset rental fee of RMB4,723,800.

(3) In 2018, the Company and its subsidiaries leased office space from Shanghai Dazhong Building Co., Ltd. due to office operation needs. In 2018, the Company and its subsidiaries leased office space from Shanghai Dazhong Building Co., Ltd., incurring a rental fee of RMB4,896,400.

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

Unit: Yuan Currency: RMB

Related party	Connection	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction	Proportion of the amount to similar transactions	Settlement method of connected transaction	Market price	Reasons for the great difference between transaction price and market reference price
Shanghai Dazhong Advertising Co., Ltd.	Other connected person	Acceptance of service	Acceptance of service	Market price		1,173,287.50		General payment method		
	Total			/	/	1,173,287.50	/	/	/	
Details of huge-amount sales rejection										
Description of Connected Transactions										

(II) Connected transactions relating to the acquisition and disposal of assets or equity

1. *Matters that have been disclosed in temporary announcements and do not have developments or changes in subsequent implementation*

Description of matter	Index for enquiry
The Company signed the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》)with Dazhong Business Management and Yiyang Landscaping on March 29, 2018. The Company had acquired 61.67% and 18.33% equity interest of Shanghai Dazhong Run Logistics Shares Co., Ltd. from Dazhong Business Management and Yiyang Landscaping respectively at the price of RMB74 million and RMB22 million respectively, which totaled RMB96 million.	www.sse.com.cn

SIGNIFICANT EVENTS

Description of matter	Index for enquiry
On August 30, 2018, the Company entered into the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) with Dazhong Transportation in Shanghai, under which, the Company transferred 15% shares of Shi He Industrial held by it to Dazhong Transportation (Group) Co., Ltd. at the transfer price of RMB60.16434947 million.	www.sse.com.cn
On November 5, 2018, the Company entered into the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) with Dazhong Transportation in Shanghai, under which, the Company transferred 25% shares of Shi He Industrial held by it to Dazhong Transportation at the transfer price of RMB100.16698472 million. After the transfer, the Company has no longer held the shares of Shi He Industrial and Dazhong Transportation hold 100% shares of Shi He Industrial.	www.sse.com.cn
On December 11, 2018, the Company entered into the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) with Junxiang Industrial, Hongjie Investment, SCGI and SEARI in Shanghai, under which, the Company and Junxiang Industrial respectively transfer 8,750,000 shares and 3,000,000 shares of SEARI to SCGI.	www.sse.com.cn

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

(1) On December 8, 2017, the Company entered into the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) with Dazhong Transportation (Group) Co., Ltd. in Shanghai, under which, the Company transferred the equity interests in 100,000,000 shares of Shanghai Minhang Dazhong Micro¬credit Co., Ltd.*(上海閔行大眾小額貸款股份有限公司) held by it at the transfer price of RMB102,500,000. During the Reporting Period, the equity transfer has been filed with Shanghai Administration for Industry and Commerce on January 31, 2018. On February 11, 2018, Dazhong Transportation has paid all equity transfer amounts to the Company.

(2) On July 23, 2018, Shanghai Dazhong Financial Leasing Co., Ltd, the Company's subsidiary, entered into an Ownership Transfer Agreement and a Financial Lease Contract with Dazhong Business Management and Shanghai Dazhong Xingguang Taxi Co., Ltd, the indirect subsidiary of Dazhong Business Management, Dazhong Financial Leasing provide the financial leasing amounting to RMB100 million for the transfer of taxis of Dazhong Business Management and Dazhong Xingguang, including operation permits, and Dazhong Business Management and Dazhong Xingguang leased back at the same time and assumed rent payment and other payment obligation.

(III) Material connected transactions regarding joint external investment

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

(1) During the Reporting Period, the Company issued the Announcement on Connected Transaction regarding the Joint Investment with Related Parties*(《關於與關聯人共同投資的關聯交易公告》) to disclose that the Company and Dazhong Transportation have made capital contributions of RMB220 million respectively as limited partners to participate in Aiqi Ruidong. On July 28, 2018, the Company issued the Announcement on Progress of the Connected Transaction regarding the Joint Investment with Related Party*(《關於與關聯人共同投資的關聯交易的進展公告》), in which it is disclosed that the Company, Dazhong Transportation and other limited partners have entered into a withdrawal agreement to exit Aiqi Ruidong as its intended investment project changed.

(2) On November 20, 2017, the Company issued the Announcement Regarding Capital Increase to Subsidiary and Connected Transaction*(《對子公司增資暨關聯交易公告》). It is disclosed that the Company and Shanghai Gas Group had made capital increase to Dazhong Gas with a total amount of RMB200 million in proportion to their original respective shareholding, which means the Company and Shanghai Gas Group shall make capital contribution in the sum of RMB100 million respectively. The Company had completed the first capital contribution of RMB50 million in 2017 and the second capital contribution of RMB50 million during the Reporting Period according to the agreement between the parties.

VIII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITIES

(I) Social responsibility

The Company constantly upheld a business philosophy of "people-oriented and innovation-driven". In respect of social responsibilities, the Company enhanced its publicity and education on energy conservation which reflecting its focus on the protection of environment. The Company was also cared of vulnerable groups by actively organizing public benefit activities. In 2018 it set up a Public Education Fund, with a view to contribute to the society. In addition, the Company strived to demonstrate a spirit of "solidarity, dedication,innovation and struggle " to the public by building its own structure and core value. The Please see the 2018 Environmental, Social and Governance (ESG) Report of Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業(集團)股份有限公司), which will be published on the website of Hong Kong Stock Exchange by the Company on April 25, 2019.

PARTICULARS OF CORPORATE BONDS

I. PROFILE OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bond	Abbreviation	Code	Date of issue	Due date	Balances of bonds	Interest rate (%)	Repayment of principal and interest	Trading place
2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd.	11 Hu Dazhong	122112	January 6, 2012	January 6, 2018	0	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.	Shanghai Stock Exchange
Public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (First Tranche)	18 Gongyong 01	143500	March 13, 2018	March 13, 2023	5	5.58	The interest of this bond is calculated annually, regardless of compound interest, and paid once every year. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange
Public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. Type 1 (Second Tranche)	18 Gongyong 03	143740	July 18, 2018	July 18, 2023	5.1	4.65	The interest of this bond is calculated annually, regardless of compound interest, and paid once every year. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange
Public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. Type 2 (Second Tranche)	18 Gongyong 04	143743	July 18, 2018	July 18, 2023	6.8	4.89	The interest of this bond is calculated annually, regardless of compound interest, and paid once every year. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange

PARTICULARS OF CORPORATE BONDS

Payment of interests of corporate bonds

1. The Company has paid the interests for the twelfth interest bearing period of the 2011 corporate bonds and the principal of the current bonds on January 8, 2018, which are delisted thereafter. The coupon rate of current bonds was 5.71%, and the interest bearing period was 184 days in total. The actual interest distributed for each board lot "11 Hu Dazhong" with face value of RMB1,000 was RMB28.785 (tax inclusive) and principal of RMB1,000 was distributed. During the reporting period, the payment of principal and interest for current bonds was completed.

2. The Company has paid the interests for the first interest bearing period of the 2018 corporate bonds (first tranche) ("18 Public Utilities 01", code "143500.SH") on March 13, 2019. The coupon rate of current bonds was 5.58%, and the interest bearing period was from March 13, 2018 to March 12, 2019. As at the date of disclosure of the report, the payment of interest for current bonds had been completed.

Other information on corporate bonds

1. In March 2018, the Company conducted the public issuance of the first tranche of 5-year fixed rate 2018 Corporate Bonds with a principal of RMB500 million and a coupon rate of 5.58%, with the issuer's option to adjust the coupon rate and the investors' option to sell back to the issuer as at the end of the third year of the duration of corporate bonds. The Company shall have option to determine whether to adjust the coupon rate of the fourth and fifth interest-bearing year for such tranche of corporate bonds at the end of the third interest-bearing year. The Company shall inform bondholders whether to adjust coupon rate and relevant methods (increase/decrease) and range on the 35th trading day prior to the interest payment date of the third interest-bearing year. If the option to adjust the coupon rate is not exercised by the Company at the end of the third interest-bearing year of the duration of corporate bonds, the coupon rate of the fourth and fifth interest-bearing year shall remain the original coupon rate for the previous interest-bearing years.

   After the Company informing bondholders whether to adjust coupon rate and relevant methods (increase/decrease) and range, investors shall have option to sell back whole or part of such tranche of corporate bonds to the Company at par value. If the option to sell back is exercised by investors, the payment date for such sellback shall be the interest payment date of the third interest-bearing year. The Company shall settle the sellback payment in accordance with relevant trading rules of the stock exchange and the bond registration authority.

2. In July 2018, the Company conducted the public issuance of the second tranche of 2018 Corporate Bonds, which includes two types of Bonds with the issue size amounting to RMB510 million and RMB680 million respectively and coupon rate amounting to 4.65% and 4.89% respectively. The Type 1 Bonds is 5-year fixed rate bonds and attaches the issuer's option to adjust the coupon rate and the investors' option to sell back to the issuer as at the end of the third year of the duration of corporate bonds as discussed above. The Type 2 Bonds is 5-year fixed rate bonds.

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.
	Office address	Level 15, TianYuanXiangTai Tower, No. 5 Anding Road, Chaoyang District, Beijing, the PRC
	Contact person	Lu Xiaojing, Liu Lei
	Contact number	+86(10)-88027267
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Level 8, Anji Building, No.760 South Xizang Road, Shanghai, the PRC

III. USE OF PROCEEDS FROM THE ISSUANCE OF CORPORATE BONDS

1. As of the end of the Reporting Period, the proceeds of RMB1.6 billion from the issuance of 2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. had 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.

2. In March 2018, Shanghai Dazhong Public Utilities (Group) Co., Ltd. received proceeds of RMB500 million from the public issuance of the first tranche 2018 Corporate Bonds. The proceeds had been fully utilized as of the end of the Reporting Period. The utilization of such proceeds was in line with the intended use of proceeds set out in the Prospectus in relation to the Public Issuance of the 2018 Corporate Bonds (the First Tranche). The Company withdrew the fund from the raised fund account in accordance with the requirements in the signed Regulation Agreement for Raising Funds, details of which were set out as follows:

Details of Proceeds Utilization of 18 Gongyong 01

Currency: RMB Unit: 100 million

Date of utilization	Amount of utilization	Purpose	Corporate Borrower	Financial Institution	Amount of Borrowing	Commencement Date of Borrowing	Maturity Date of Borrowing
2018/4/23	1.00	Repay corporate debts-bank borrowings	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	Industrial and Commercial Bank of China Limited-Shanghai Yangpu Sub Branch	1.00	2017/5/11	2018/5/11
2018/4/27	1.50	Repay corporate debts-bank borrowings	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	Bank of China Limited-Shanghai Pudong Branch	1.50	2017/6/8	2018/6/8
2018/5/15	1.50	Repay corporate debts-bank borrowings	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	China Minsheng Banking Corp., Ltd.-Shanghai Branch	1.50	2018/3/20	2018/9/20
2018/6/7	0.42	Repay corporate debts-bank borrowings	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	China Construction Bank Corporation- Shanghai Luwan Sub-branch	0.42	2017/7/3	2018/7/3
2018/7/23	–	Add liquidity and pay the supplier's payment	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	–	0.58	–	–
Total	5.00				5.00		

3. In July 2018, the Company conducted the public issuance of the second tranche of 2018 Corporate Bonds, among which, 18 Gongyong 03 raised proceeds of RMB510 million and 18 Gongyong 04 raised proceeds of RMB680 million. As of the end of the Reporting Period, all has been utilized. The use of the raised funds conforms to the use plan in the Prospectus of Tranche II of the Public Issuance of 2018 Corporate Bonds of Shanghai Dazhong Public Utilities (Group). Co., Ltd. The Company withdrew the fund from the raised fund account in accordance with the requirements in the signed Regulation Agreement for Raising Funds and the specific use is as follows:

Details of Proceeds Utilization of 18 Gongyong 03 and 18 Gongyong 04

Currency: RMB Unit: Yuan

Date of utilization	Amount of utilization	Purpose	Name of bond	Actual redemption amount	Commencement Date	Maturity Date
2018/7/23	142,000,000.00	Add liquidity and pay the supplier's payment	–	–	–	–
2018/8/16	523,150,000.00	Repay corporate debts – Bond principal and interest repayment	17 Shanghai Dazhong CP001	523,150,000.00	2017/8/16	2018/8/16
2018/8/17	4,250,000.00	Repay corporate debts – Bond interest repayment (part)	17 Shanghai Dazhong MTN002	24,250,000.00	2018/8/18	2020/8/18
2018/8/20	519,935,616.44	Repay corporate debts – Bond principal and interest repayment	17 Shanghai Dazhong SCP002	519,935,616.44	2017/11/24	2018/8/21
2019/3/5	664,383.56	Add liquidity				
Total	1,190,000,000					

IV. RATING OF CORPORATE BONDS

1. During the Reporting Period, the Company entrusted China Chengxin Securities Rating Co., Ltd. ("China Chengxin") to carry out the credit rating of corporate bonds (the first tranche) publicly issued by the Company in 2018 ("18 Gongyong 01"). On March 5, 2018, China Chengxin issued the Credit Rating Report on the Public Issuance of 2018 Corporate Bonds (the First Tranche) of Shanghai Dazhong Public Utilities (Group) Co., Ltd.. The credit rating of the Company was AA+ and the credit rating of 18 Gongyong 01 was AA+. The full text of the credit rating report is available on the website of the Shanghai Stock Exchange (www.sse.com.cn).

PARTICULARS OF CORPORATE BONDS

2. During the Reporting Period, the Company entrusted China Chengxin to carry out the follow-up credit rating of corporate bonds (the first tranche) publicly issued by the Company in 2018 ("18 Gongyong 01"). Based on the comprehensive analysis and evaluation of the Company's operating conditions, industry and other conditions, China Chengxin issued the Follow-up Credit Rating Report on the Public Issuance of 2018 Corporate Bonds (the First Tranche) of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (2018) on May 29, 2018, which upgraded the long-term credit rating of the Company to AAA, with stable outlook, and also upgraded the credit rating of 18 Gongyong 01 to AAA. The full text of the credit rating report is available on the website of the Shanghai Stock Exchange (www.sse.com.cn).

3. During the Reporting Period, the Company entrusted China Chengxin to carry out the credit rating of corporate bonds (the second tranche) publicly issued by the Company in 2018 ("18 Gongyong 03" and "18 Gongyong 04", respectively). On July 11, 2018, China Chengxin issued the Credit Rating Report on the Public Issuance of 2018 Corporate Bonds (the Second Tranche) of Shanghai Dazhong Public Utilities (Group) Co., Ltd.. The credit rating of the Company was AAA, and the credit rating of "18 Gongyong 03" and "18 Gongyong 04" were AAA. The full text of the credit rating report is available on the website of the Shanghai Stock Exchange (www.sse.com.cn).

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

The interests of the tranche one of the public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. issued by the Company on March 13, 2018 will be paid annually from the first value date and the last instalment of interest payment will be paid together with the matured principal.

The interest payment date of this tranche of bonds shall be March 13 of each year from 2019 to 2023 (if that day falls within official holidays and/or rest days, then it shall be postponed to the next trading day thereafter. During the postponement period, no interest shall be accrued). For investors exercise the resale option, the interest payment date for the resale part shall be March 13 of each year from 2019 to 2021 (if that day falls within official holidays and/or rest days in the PRC, then it shall be postponed to the next trading day thereafter. During the postponement period, no interest shall be accrued).

The principal payment date of this tranche of bonds shall be March 13, 2023 (if that day falls within official holidays and/or rest days in the PRC, then it shall be postponed to the next trading day thereafter. During the postponement period, no interest shall be accrued). For investors exercise the resale option, the principal payment date for the resale part shall be March 13, 2021 (if that day falls within official holidays and/or rest days in the PRC, then it shall be postponed to the next trading day thereafter. During the postponement period, no interest shall be accrued).

PARTICULARS OF CORPORATE BONDS

The interests of the second tranche of the public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. issued by the Company on July 18, 2018 will be paid annually from the first value date and the last installment of interest payment will be paid together with the matured principal.

The payment date of this tranche of bonds shall be every July 18, from 2019 to 2023 (if that day falls within official holidays and/or rest days in the PRC, then it shall be postponed to the next trading day thereafter. During the postponement period, no interest shall be accrued). For investors exercise the resale option, the principal payment date for the resale part shall be every July 18, from 2019 to 2021 (if that day falls within official holidays and/or rest days in the PRC, then it shall be postponed to the next trading day thereafter. During the postponement period, no interest shall be accrued).

The current bond redemption date is July 18, 2023, in case of statutory holidays and/or rest days in the PRC, it will be postponed to the first trading day thereafter. There is no additional interest on the payment during the postponement period. If investors exercise put option, the redemption date for some of the bonds sold back is July 18, 2021, in case of statutory holidays and/or rest days in the PRC; it will be postponed to the first trading day thereafter. During the postponement period, no interest shall be accrued.

In order to protect the legal rights of the bondholders, the Company has implemented the guarantee measures for repayment of the corporate bonds as set out below:

1. **Formulating the Rules of Bondholders' Meeting**

   In accordance with requirement of the Measures for the Trading and Administration of Corporate Bonds, the Company has formulated the Rules of Bondholders' Meeting, which stipulates the scope, procedures and other important matters for bondholders to exercise their rights in the bondholders' meeting, and makes reasonable system arrangement for guaranteeing the timely and full repayment of principal and interests of the corporate bonds.

2. **Engagement of the Bonds Trustee Manager**

   In accordance with the provisions of the Measures for the Trading and Administration of Corporate Bonds, the Company has engaged Haitong Securities as the bonds trustee manager of this tranche of bonds and entered into the Entrusted Bonds Management Agreement with Haitong Securities Securities Co., Ltd.* (海通證券股份有限公司) (hereinafter referred to as "Haitong Securities"). During the term of this tranche of bonds, Haitong Securities shall protect the interests of the bondholders agreed in accordance with the Entrusted Bonds Management Agreement.

3. **Set Up a Special Account for Fund Raising**

To ensure timely repayment of the due principle and interest of this bond, the Company has set up a special account for fund raising in the Xuhui branch of Shanghai Pudong Development Bank for receiving, storing, transferring of proceeds and repaying principle and interest of this bond before issuing this bond. Before the interest payment date or 7 trading days (T-7 days) before date of payment of this fund, the Company would transfer the repayment capital to the special account for fund raising in accordance with the confirmed interest/principle stated in the Prospectus of Tranche I of the Public Issuance of 2018 Corporate Bonds of Shanghai Dazhong Public Utilities (Group). Co., Ltd. and the Prospectus of Tranche II of the Public Issuance of 2018 Corporate Bonds of Shanghai Dazhong Public Utilities (Group). Co., Ltd.. The bank governing the funds would review the funds in the special account for fund raising, and notify the Company in writing on the proceeds in the special account for fund raising.

4. **Strictly Execute the Fund Management Plan**

After this bond issuing, the Company will further strengthen the management of asset and liability, liquidity management and the use of proceeds according to its debt structure, and prepare annual, monthly plan for use of proceeds according to the future maturity and payment demand of bond principal and interest 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.

5. **Strict Disclosure of Information**

The Company will follow the principle of true, accurate and complete information disclosure, so that the Company's solvency and use of proceeds will be supervised by bondholders, bond trustees and shareholders to prevent debt repayment risks.

VI. MEETINGS OF CORPORATE BONDHOLDERS

Not Applicable.

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. Haitong Securities has completely fulfilled the relevant obligations of the trustee with diligence during the reporting period.

The trustee of Tranche one of the public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. was Haitong Securities. Haitong Securities has fulfilled the relevant obligations of the trustee with diligence and on time during the Reporting Period.

The trustee of 2018 Corporate Bonds (second tranche) of Shanghai Dazhong Public Utilities (Group) Co., Ltd. issued by the Company was Haitong Securities Co., Ltd. Haitong Securities has fulfilled the relevant obligations as the trustee with diligence and on time during the Reporting Period.

Haitong Securities issued the Interim Report on the First Trustee Management Affairs of Shanghai Dazhong Public Utilities (Group) Co., Ltd. in 2018 on April 4, 2018; the Interim Report on the Second Trustee Management Affairs of Shanghai Dazhong Public Utilities (Group) Co., Ltd. in 2018 on June 6, 2018; the Interim Report on the Third Trustee Management Affairs of Shanghai Dazhong Public Utilities (Group) Co., Ltd. in 2018 on August 2, 2018; the Interim Report on the Fourth Trustee Management Affairs of Shanghai Dazhong Public Utilities (Group) Co., Ltd. in 2018 on September 7, 2018; the Interim Report on the Fifth Trustee Management Affairs of Shanghai Dazhong Public Utilities (Group) Co., Ltd. in 2018 on September 16, 2018.

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

(1) On August 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 at www.chinamoney.com.cn or the website of Shanghai Clearing House at 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 repayment shall be made together with the principal repayment. Issue price: face value of RMB100. Coupon rate: 4.88%. The value date: August 11, 2017. Date of payment: August 11, 2020. During the Reporting Period, the first tranch repayment of interest for medium-term notes was completed.

(2) On August 15, 2017, the Company completed the issuance of the "first tranche of the 2017 short-term financing bills of Shanghai Dazhong Public Utilities (Group) Co., Ltd." (see the website of Chinamoney at www.chinamoney.com.cn or the website of Shanghai Clearing House at 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. Coupon rate: 4.63%. The value date: August 16, 2017. Date of payment: August 16, 2018. During the Reporting Period, the repayment of principal and interest for short-term financing bills was completed as agreed.

(3) On August 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 at www.chinamoney.com.cn or the website of Shanghai Clearing House at 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 repaid in a one-off payment upon maturity. The last interest repayment shall be made together with the principal repayment. Issue price: face value of RMB100. Coupon rate: 4.85%. The value date: August 18, 2017. Date of payment: August 18, 2020. During the Reporting Period, the first tranch repayment of interest for medium-term notes was completed as agreed.

(4) On November 23, 2017, the Company completed the issuance of the "second tranche of the 2017 ultrashort-term financing bills of Shanghai Dazhong Public Utilities (Group) Co., Ltd." (see the website of Chinamoney at www.chinamoney.com.cn or the website of Shanghai Clearing House at www.shclearing.com). Abbreviation: 17 Shanghai Dazhong SCP002. Code: 011764133. Issuance amount: RMB0.5 billion. Issuance period: 270 days. Interest-bearing method: interest under the Issue shall be calculated annually on the basis of simple interest instead of compound interest. Interest repayment will be made once each year and the principal amount will repaid in a one-off payment upon maturity. The last interest repayment shall be made together with the principal repayment. Issue price: face value of RMB100. Coupon rate: 5.39%. The value date: November 24, 2017. Date of payment: August 21, 2018. During the Reporting Period, the repayment of principal and interest for ultrashort-term financing bills was completed as agreed.

IX. BANK CREDITS OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the Company obtained the bank facilities totalling to RMB 11,105,926,900.92 (2017: RMB 8,389,758,471.91), among which, RMB 4,921,971,267.03(2017: RMB 3,835,895,304.17) has been utilized.As at December 31, 2018, RMB 6,183,955,633.89 (2017: RMB 4,553,863,167.74) was unutilized.

X. 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 has performed the relevant commitment as set out in the prospectus for issuing bonds.

XI. EFFECT OF SIGNIFICANT EVENTS OF THE COMPANY ON ITS OPERATION AND REPAYMENT

Not applicable.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

Table of changes in shares

1. *Table of changes in shares*

   During the Reporting Period, there was no change of share number and shareholding structure.

2. *Explanation on changes in shares*

   No applicable.

3. *The effects of changes in Shares on financial indicators such as earnings per share and net assets per share for the period subsequent to the Reporting Period and to the date of the disclosure of the annual report*

   Not applicable.

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	227,346
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	223,108

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(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

Particulars of top 10 shareholders

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							
					Pledged or moratorium		
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	Status of shares	Number	Nature of shareholders
Hong Kong Securities Clearing Company Nominees Limited	-136,000	533,523,000	18.07	0	Nil	0	Overseas legal person
Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)	0	495,143,859	16.77	0	Pledged	476,500,000	Domestic non-state owned legal person
Shanghai Gas (Group) Co., Ltd.*(上海燃氣(集團)有限公司)	0	153,832,735	5.21	0	Nil	0	State-owned legal person
Lin Zhuangxi (林莊喜)	-6,897,077	20,550,000	0.70	0	Nil	0	Domestic natural person
Lin Xianzhuan (林賢專)	-489,105	12,700,000	0.43	0	Nil	0	Domestic natural person
Wang Xiaoke (王小可)	unavailable	12,000,000	0.41	0	Nil	0	Domestic natural person
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	0	11,370,700	0.39	0	Nil	0	State-owned legal person
Cai Zhishuang (蔡志雙)	585,300	10,774,198	0.36	0	Nil	0	Domestic natural person
Ding Xiumin (丁秀敏)	1,450,400	10,597,600	0.36	0	Nil	0	Domestic natural person
Lin Weibing (林煒檳)	unavailable	8,635,000	0.29	0	Nil	0	Domestic natural person

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	533,523,000	Overseas listed foreign shares	533,523,000
Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)	495,143,859	Ordinary shares denominated in RMB	495,143,859
Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)	153,832,735	Ordinary shares denominated in RMB	153,832,735
Lin Zhuangxi (林莊喜)	20,550,000	Ordinary shares denominated in RMB	20,550,000
Lin Xianzhuan (林賢專)	12,700,000	Ordinary shares denominated in RMB	12,700,000
Wang Xiaoke (王小可)	12,000,000	Ordinary shares denominated in RMB	12,000,000
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	11,370,700	Ordinary shares denominated in RMB	11,370,700
Cai Zhishuang (蔡志雙)	10,774,198	Ordinary shares denominated in RMB	10,774,198
Ding Xiumin (丁秀敏)	10,597,600	Ordinary shares denominated in RMB	10,597,600
Lin Weibing (林煒檳)	8,635,000	Ordinary shares denominated in RMB	8,635,000
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 has a connected relationship with each other.		

Explanation on the shareholding: Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司) holds 60,746,000 H shares, which are registered under HKSCC Nominees Limited, through Hong Kong Stock Connect and other ways. As of December 31, 2018, Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司),holds 555,889,859 shares of the Company (including 495,143,859 A shares and 60,746,000 H shares), representing approximately 18.83% of the total issued shares of the Company.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

III. PARTICULARS OF SINGLE LARGEST SHAREHOLDER AND DE FACTO CONTROLLER

(1) Single largest shareholder

1. Legal person

Name	Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)
Person-in-charge or legal representative	Zhao Siyuan (趙思淵)
Date of establishment	March 10, 1995
Principal business	Operation management and business management over taxi business and related business, investment, technical consultation, agency, services and talent training, transport of commodity vehicles, retail of vehicle components, taxi passenger service and vehicle repair
Details of controlling interests and investments in other domestic and foreign-listed companies during the Reporting Period	Nil

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at December 31, 2018, 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(1)	Approximate percentage of interest in the Company	Approximate percentage of relevant class of Shares
Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)	Beneficial owner	A Shares	495,143,859 (L)	16.77	20.47
	Beneficial owner	H Shares	60,746,000 (L)	2.06	11.38
Shanghai Dazhong Business Employee Share Ownership Committee* (上海大眾企業管理有限公司職工持股會) (3)	Beneficial owner	A Shares	495,143,859 (L)	16.77	20.47
	Interest of controlled corporations	H Shares	60,746,000 (L)	2.06	11.38
Shanghai Gas (Group) Co., Ltd.	Interest of controlled corporations	A Shares	158,674,147 (L)	5.37	6.56
Shenergy (Group) Company Limited* (申能(集團)有限公司) (4)	Interest of controlled corporations	A Shares	158,674,147 (L)	5.37	6.56
ENN Energy China Investment Limited (5)	Beneficial owner	H Shares	129,261,000 (L)	4.38	24.22
ENN Energy Holdings Limited (5)	Interest of controlled corporations	H Shares	129,261,000 (L)	4.38	24.22
Wang Yusuo (王玉鎖) (5)	Interest of controlled corporations	H Shares	129,261,000 (L)	4.38	24.22
Hai Tong Asset Management (HK) Limited (6)	Investment manager	H Shares	86,174,000 (L)	2.92	16.15
Haitong International Holdings Limited (7)	Interest of controlled corporations	H Shares	68,174,000 (L)	2.31	12.78
		H Shares	68,174,000 (S)	2.31	12.78
Haitong International Securities Group Limited (7)	Interest of controlled corporations	H Shares	68,174,000 (L)	2.31	12.78
		H Shares	68,174,000 (S)	2.31	12.78
Haitong Securities Co., Ltd. (7)	Interest of controlled corporations	H Shares	68,174,000 (L)	2.31	12.78
		H Shares	68,174,000 (S)	2.31	12.78
Haitong International Financial Solutions Limited (7)	Beneficial owner	H Shares	68,174,000 (L)	2.31	12.78
		H Shares	68,174,000 (S)	2.31	12.78

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name	Nature of interest	Class of Shares	Number of Shares[1]	Approximate percentage of interest in the Company	Approximate percentage of relevant class of Shares
New China Asset Management (Hong Kong) Limited [8]	Investment manager	H Shares	53,859,000 (L)	1.82	10.09
Investstar Limited [9]	Beneficial owner	H Shares	53,859,000 (L)	1.82	10.09
Towngas Investment Company Limited (煤氣投資有限公司) [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09
The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司) [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09
Faxson Investment Limited [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09
Henderson Land Development Company Limited [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09
Henderson Development Limited [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09
Hopkins (Cayman) Limited [10]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09
Riddick (Cayman) Limited [10]	Trustee	H Shares	53,859,000 (L)	1.82	10.09
Rimmer (Cayman) Limited [10]	Trustee	H Shares	53,859,000 (L)	1.82	10.09
Lee Shau Kee (李兆基) [11]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82	10.09

* *For identification purposes only*

Notes:

(1) (L) – Long position; (S) – Short position

(2) As at December 31, 2018, the total number of issued shares of the Company was 2,952,434,675, including 2,418,791,675 A shares and 533,643,000 H shares.

(3) 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 Dazhong Business Management; (b) the employees of our Group; and (c) the employees of Dazhong Transportation. It is the beneficial owner of 90% equity interests in Dazhong Business Management and is deemed to be interested in the entire A Shares interests held by Dazhong Business Management.

(4) 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.

(5) 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.

(6) According to data from the HKExnews's website as of December 31, 2018.

(7) Haitong Securities Co., Limited beneficially owns 100% of Haitong International Holdings Limited. Haitong International Holdings Limited beneficially owns 63.08% 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 Haitong International Finance Company Limited. Haitong International Finance Company Limited beneficially owns 100% of Haitong International Financial Solutions Limited. Haitong Securities Co., Limited, Haitong International Holdings Limited, Haitong International Securities Group Limited, Haitong International (BVI) Limited and Haitong International Finance Company Limited are deemed to be interested in the 68,174,000 H Shares and in the short positions of 68,174,000 H Shares held by Hai Tong International Financial Solutions Limited. Such 68,174,000 H Shares (short positions) will be physically settled if it is satisfied the conditions for physical settlement, otherwise it will be settled in cash.

(8) 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.

(9) Investar 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, which 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 Investar Limited under the SFO.

(10) 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 Investar Limited under the SFO.

(11) Lee Shau Kee beneficially owns 100% of each of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Lee Shau 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 Investar Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Below sets out the biographical details of the current Directors, Supervisors and senior management of the Company as of the Latest Practicable Date. Details of all position currently held by Directors, Supervisors and senior management at the shareholders entities and at other entities can be found from page 98 to page 102 of this Annual Report.

Executive Directors

Mr. Yang Guoping (楊國平), aged 62, joined our Company in January 1992 and was appointed as the chairman of the Board and a Director of our Company on January 1, 1992. Mr. Yang is the chairman of the Strategic Development Committee and a member of the Nomination Committee and the Remuneration and Appraisal committee. He also held positions in various listed companies, including Dazhong Transportation, Shanghai Jiaoda Onlly Co., Ltd. (上海交大昂立股份有限公司) ("Shanghai Jiaoda Onlly", Shanghai Stock Exchange listed, stock code: 600530), Shanghai Jiao Yun Group Co., Ltd. (上海交運集團股份有限公司) (Shanghai Stock Exchange listed; stock code: 600676), Songz Automobile Air Conditioning Co., Ltd.* (上海加冷松芝汽車空調股份有限公司) (Shenzhen Stock Exchange listed; stock code: 002454), Nanjiang Public Utilities Development Co., Ltd. (南京公用發展股份有限公司) (formerly known as Nanjing Zhongbei Group Co., Ltd. (南京中北(集團)股份有限公司) (Shenzhen Stock Exchange listed, stock code: 000421) and Shanghai Shentong Metro Group Co., Ltd. (上海申通地鐵股份有限公司) (Shanghai Stock Exchange listed, stock code: 600834). Mr. Yang was granted the title of senior economist by Shanghai Expertise Qualification Review Committee, Economics Series (Sphere of Production) (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) in April 1995. Mr. Yang is currently the council executive director (理事會常務理事) of China Association for Public Companies* (中國上市公司協會) and council vice president (理事會副會長) of The Listed Companies Association of Shanghai (上海上市公司協會). He is also the honorary president of the seventh Shanghai Youth Entrepreneurs Association (上海市青年企業家協會), vice chairman of the eighth commission of Shanghai Youth Federation (上海市青年聯合會) and vice president of China Taxicab and Livery Association (中國出租汽車暨汽車租賃協會). Mr. Yang is also the president (理事長) of the Shanghai Association of Micro-credit (上海小額貸款公司協會). Mr. Yang was accredited as one of the top ten national outstanding young entrepreneurs* (全國十大傑出青年企業家) by the Central Communist Youth League Organization Department (共青團中央) and the China Youth Entrepreneurs Association (中國青年企業家協會) in November 1995. He was honored as national labor model* (全國勞動模範) by the PRC State Council* (中華人民共和國國務院) in April 2000. Mr. Yang was accredited as one of the outstanding quality individual in the PRC (中國傑出質量人) by China Quality Association* (中國質量協會) in October 2005. He is accredited as China influential MBA individual* (中國MBA風雲人物) in December 2006. He also received the EY Entrepreneur Of The Year 2013* (安永企業家獎2013大獎) accredited by Ernst & Whinney in November 2013. Mr. Yang was honored as the Outstanding Entrepreneur (傑出企業家) by the first session of China (Shanghai) Listing Companies' Social Liabilities Summit (首屆中國(上海)上市公司企業社會責任峰會) in December 2015. Mr. Yang received a master degree in business administration from Shanghai Jiao Tong University (上海交通大學) in July 1997.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liang Jiawei (梁嘉瑋), aged 45, joined the Company in September 2000 and was appointed as a Director of the Company on July 28, 2015. Mr. Liang is a member of the Strategic Development Committee. He has been the chief executive officer of the Company since June 2015 and used to serve as the manager of investment and development department of the Company from January 2006 to June 2016, secretary to the Board of the Company from April 2008 to June 2015 and vice general manager of the Company from April 2014 to June 2015. Mr. Liang has been the director of Dazhong Transportation Since April 2016. Mr. Liang is currently the executive vice president (legal representative) of The Listed Companies Association of Shanghai* (上海上市公司協會), the chairman of Shanghai Dazhong Run Logistics Shares Co., Ltd.* (上海大眾運行物流股份有限公司), the vice president of Shanghai Leasing Industry Association (上海市租賃行業協會) and the vice president (副理事長) of Shanghai Association of Stock System Enterprises (上海市股份公司聯合會). He was granted the title of economist (finance) by PRC Ministry of Personnel* (中華人民共和國人事部) in November 2000. Mr. Liang served as clerk of the general managers' office of Shanghai Jiao Yun from July 1995 to March 1999. He was accredited twice as outstanding secretary to the board* (優秀董事會秘書) by The Listed Companies Association of Shanghai (上海上市公司協會) in April 2013 and May 2015, respectively. Mr. Liang was accredited as the excellent secretary to the board of listed companies* (上市公司優秀董秘) in the eighth, ninth and tenth selection of New Fortune Gold Medal Secretary to the Board* (新財富金牌董秘) held by the New Fortune magazine* (新財富雜誌). He was also accredited as one of the 100 Best Board Secretaries of companies Listed on the Main Board of China in 2013* (2013年度中國主板上市公司百佳董秘) by Securities Times* (《證券時報》) in September 2014. Mr. Liang obtained a bachelor degree in administrative management from Shanghai University (上海大學) in July 1995 and a master degree in business administration from Preston University in the United States in November 2002.

Ms. Yu Min (俞敏), aged 58, joined our Company in May 1999 and was appointed as Director of the Company on July 28, 2015. She used to be the manager of human resources department of the Company from May 1999 to June 2016 and the employee representative Supervisor of the Company from May 2002 to July 2015. She has been our labor union president since August 2002, administrative director since April 2008 and party branch secretary since May 2011. She was granted the title of economist by Shanghai Title Reform Leading Group* (上海市職稱改革工作領導小組) in December 1993. She is also accredited as Senior Operating Manager (高級經營師) by China General Chamber of Commerce* (中國商業聯合會) in May 2012. Ms. Yu obtained a Master of Science degree in training and development from Saint Joseph's University in the United States in July 2003.

Mr. Zhuang Jianhao (莊建浩), aged 57, joined the Company in January 2002 and served in various positions responsible for technology and management of gas supply business sector of the Company. He was the assistant to chief executive officer from January 2002 to April 2008, a former Director from May 2002 to May 2003, a vice general manager from May 2002 to April 2008, and the chief technology officer from April 2008 to April 2014. Mr. Zhuang was re-appointed as a Director and vice general manager of the Company in April 2014. He was granted the title of senior engineer by Shanghai Title Reform Leading Group* (上海市職稱改革工作領導小組) in December 1995. Mr. Zhuang obtained a bachelor degree in coal chemical industry from East China Chemical Industry College* (華東化工學院) (currently known as East China University of Science and Technology* (華東理工大學)) in July 1983. He attended a joint master program in business administration from the University of Canberra in Australia and the East China University of Science and Technology* (華東理工大學) and received master degrees in July and August 2004, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang Weibiao (楊衛標), aged 49, was appointed as an executive Director of the Company on May 25, 2017. He is also the general manager of the environmental business department of the Company. He joined the Company in March 2004. Mr. Yang served in various positions and was appointed as the assistant to chief executive officer of the Company in May 2014. He was further appointed as employee representative Supervisor on July 10, 2015. Mr. Yang was the assistant manager of investment and development department of Dazhong Transportation from November 2000 to February 2004. He obtained a bachelor degree in politics and administration from Fudan University* (復旦大學) in July 1992 and a master degree in economics from Fudan University* (復旦大學) in July 1999.

Non-executive Directors

Mr. Chan Wing Kin (陳永堅), B.B.S., C.Eng., F.H.K.I.E., F.I. Mech.E., F.I.G.E.M., F.E.I., M.Sc. (Eng), B.Sc. (Eng), aged 68, was appointed as non-executive Director of the Company on May 25, 2017. He has been the managing director of The Hong Kong and China Gas Company Limited ("HKCG"), (Hong Kong Stock Exchange listed, stock code: 0003) since May 1997, the vice chairman of Shenzhen Gas Corporation Ltd.* (深圳市燃氣集團股份有限公司), (Shanghai Stock Exchange listed, stock code: 601139) since April 2004, and the chairman and an executive director of Towngas China Co. Ltd., (Hong Kong Stock Exchange listed, stock code: 1083) since March 1, 2007. Mr. Chan holds directorships in various subsidiaries of HKCG. One of the shareholders of the Company, Investstar Limited, is a wholly-owned subsidiary of HKCG. Mr. Chan was the Chairman of The Hong Kong Management Association from July 2014 to July 2016 and he is now the Honorary President of the same association. And he is a vice chairman of China Gas Association* (中國城市燃氣協會) since November 2008, and a honorary chairman of Hong Kong Management Association since July 2016. He was appointed as a Member of the Standing Committee on Judicial Salaries and Conditions of Service by the Government of the Hong Kong Special Administrative Region for two years with effect from January 1, 2016. Mr. Chan obtained a bachelor's degree in mechanical engineering from Hong Kong University in 1974, and a master's degree in industrial engineering from the same university in 1983. He was conferred as an Honorary Fellowship by The Hong Kong Institute of Education in April 2016. Mr. Chan is a Chartered Engineer in the United Kingdom, Fellow of The Hong Kong Institution of Engineers, Fellow of The Institution of Mechanical Engineers, Fellow of the Institution of Gas Engineers & Managers and Fellow of The Energy Institute of the United Kingdom. Mr. Chan is also a Honorary Fellow of the International Institute of Utility Specialists. Mr. Chan received the Executive Award under the DHL/SCMP Hong Kong Business Awards in December 2005, the Director of the Year Awards — Listed Companies (SEHK — Hang Seng Index Constituents) Executive Directors from The Hong Kong Institute of Directors in November 2006, the Leadership Award in Gas Industry Award 2015 from the Institution of Gas Engineers & Managers and the Energy and Utilities Alliance of the United Kingdom. In October 2015 and October 2016, Mr. Chan was continuously named as one of "the 100 Best-Performing CEOs" in the World in 2015 and in 2016 by Harvard Business Review. In December 2015, Mr. Chan was honored with "the Hall of Fame" presented by The Hong Kong Institution of Engineers for his outstanding contributions to the engineering profession and the community.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Songhua (李松華), aged 57, joined the Company in May 2011 and has been a Director of the Company since then. Mr. Li is a member of the Strategic Committee. Mr. Li has served Shanghai Gas Group (a shareholder of the Company) as the manager of human resources department, as party committee member (黨委委員) from June 2011 to April 2012, and as secretary of discipline committee (紀委書記) subsequently. He has served as vice party secretary (黨委副書記) and labor union president (工會主席) of the same company since April 2012 and served as the chairman of Shanghai Rinnai Co., Ltd.* (上海林內有限公司) since December 2013. He was granted the title of master of political work (政工師) by Corporate Ideological and Political Work Qualification Review Committee* (企業思想政治工作人員專業職務評審委員會) in November 1995. Mr. Li graduated from Shanghai Huangpu District Amateur University* (上海黃浦區業餘大學) in July 1990. He obtained a master degree in business administration from Macau University of Science and Technology in October 2004.

Mr. Cheung Yip Sang (張葉生), aged 53, was appointed as a non-executive Director of the Company on May 25, 2017. He is the vice chairman of ENN Energy Holdings Limited ("ENN") (Hong Kong Stock Exchange listed, stock code: 2688) since March 2014. Mr. Cheung joined the group of ENN in 1998, was appointed as an executive director since April 2002 and chief executive officer since March 2010. Mr. Cheung graduated from The Chinese People's Armed Police Force Academy with a bachelor's degree in Legal Studies and received an executive master's degree in business administration from the Peking University in 2006. Mr. Cheung was named as one of the "Asia's Best CEOs (energy area)" by Institutional Investor in July 2012. He was also accredited as one of the "Excellent Private Entrepreneurs of Hebei Province in the year of 2013* (2013年度河北省優秀民營企業家)" in May 2014.

Independent non-executive Directors

Mr. Wang Kaiguo (王開國), aged 59, was appointed as an independent non-executive Director of the Company on May 25, 2017. He is currently the president of PE Association of Shanghai (上海股權投資協會) and the vice president (副理事長) of Shanghai Financial Association (上海金融業聯合會). Mr. Wang worked successively as deputy head of application department* (應用科室), chief of division of politics and laws, department of policies and regulations* (政策法規司政法處) and deputy director of Research Institute of Administrative Bureau of State-owned Property* (國家國有資產管理局科研所) from July 1990 to February 1995. He also served successively and/or simultaneously as deputy general manager, general manager, chairman of board of directors, secretary of party group* (黨組書記) and secretary of party committee* (黨委書記) of Haitong Securities Limited* (海通證券有限公司) from February 1995 to December 2001. Mr. Wang served as chairman of board of directors and secretary of party committee* (黨委書記) of Haitong Securities Company Limited* (海通證券股份有限公司) from December 2001 to July 2016. Mr. Wang served as an independent director of Shanghai Chlor-Alkali Chemical Co., Ltd.* (上海氯鹼化工股份有限公司) (Shanghai Stock Exchange listed, stock code: 600618) from December 2009 to December 2014. Mr. Wang also served as the vice president of the Securities Association of China (中國證券業協會). Mr. Wang obtained a bachelor's degree in economics from Jilin University* (吉林大學) in July 1984 and a master's degree in economics from the same university in July 1987. Mr. Wang received his PH.D. in economics from Xiamen University* (廈門大學) in May 1992. Mr. Wang was granted the title of senior economist by Bank of Communications Ltd. Expertise Qualification Review Committee, Economic and Accounting Series* (交通銀行經濟會計系列高級專業技術服務評審委員會) in December 1997. Mr. Wang was selected as "the Best Head of Listed Company* (最佳上市公司掌門人)" by the ninth Hexun.com China Financial Billboard* (和訊網中國財經風雲榜) in January 2012, won the title of "the Most Influential Leader* (最具影響力領袖)" in China Securities Golden Bauhinia Award held by Ta Kung Pao in November 2012. He was also awarded as "Top 100 Business Leader of China Listed Company* (中國上市公司百強企業領袖獎)" by China Business Top 100* (中國上市公司百強高峰論壇) in September 2014, and "the Most Strategic Chairman* (最具戰略眼光董事長)" of Round Table Award* (金圓桌獎) held by Directors & Boards Magazine* (《董事會》雜誌) in November 2014.

Mr. Yao Cho Fai Andrew (姚祖輝), aged 53, joined the Company in July 2015 and was appointed as an independent non-executive Director of the Company on July 28, 2015. Mr. Yao is the chairman of Nomination Committee and Remuneration and Appraisal Committee, and a member of Audit Committee. Mr. Yao has been the chairman, executive director and chairman of the nomination committee and member of the remuneration committee of Hong Kong Shanghai Alliance Holdings Limited (formerly known as Van Shung Chong Holdings Limited) (Hong Kong Stock Exchange listed, stock code: 1001) since January 1994. Mr. Yao has been the independent non-executive director of Grand Investment International Ltd. (Hong Kong Stock Exchange listed, stock code: 1160) from February 2004 to June 2009, non-executive director of North Asia Strategic Holdings Limited (Hong Kong Stock Exchange listed, stock code: 8080) from June 2008 to September 2011 and independent non-executive director of Kader Holdings Company Limited (Hong Kong Stock Exchange listed, stock code, 180) since 2004. He obtained a bachelor degree in business management from the University of California, Berkeley in May 1988 and a master degree in business administration from Harvard University in June 1992. He serves as the Hong Kong Deputy to the 12th National People's Congress (NPC) of PRC* (第十二屆港區全國人大代表), the chairman of Hong Kong-Shanghai Economic Development Association* (滬港經濟發展協會), the vice-chairman of Lingnan University (嶺南大學) in Hong Kong, the president of the Joint Association of Shanghai and Hong Kong* (上海香港聯會), the vice president of Shanghai Overseas Chinese Friendship Association* (上海海外聯誼會), the vice-chairman of Shanghai Federation of Industry & Commerce* (上海市工商業聯合會) and the board member of Fudan University* (復旦大學) in Shanghai. He was awarded Young Industrialist Award of Hong Kong* (香港青年工業家獎) by Federation of Hong Kong Industries in 2004. He was also awarded Justice of Peace* (太平紳士) by the Hong Kong government in 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chow Siu Lui (鄒小磊), aged 58, joined our Company and was appointed as an independent non-executive Director of our Company in April 2016. Mr. Chow has served as managing director of private equity team and is currently a partner of VMS Investment Group Limited * (鼎佩投資集團有限公司) since April 2012. Mr. Chow has been the independent non-executive director of NWS Holdings Limited (新創建集團有限公司) (Hong Kong Stock Exchange listed, stock code: 00659) from March 2012 to June 2012, Kong Shum Union Property Management (Holding) Limited (Hong Kong Stock Exchange listed, stock code: 8181) from February 2015 to October 2015, Fullshare Holdings Limited (Hong Kong Stock Exchange listed, stock code: 00607) since December 2013, Universal Medical Financial & Technical Advisory Services Company Limited (Hong Kong Stock Exchange listed, stock code: 2666) since June 2015 and Sinco Pharmaceuticals Holdings Limited (Hong Kong Stock Exchange listed, stock code: 6833) since September 2015. Mr. Chow obtained his qualification as a fellow of the Association of Chartered Certified Accountants (英國特許公認會計師公會) in July 1991, the Hong Kong Institute of Certified Public Accountants (香港會計師公會) ("HKICPA") in December 1993, the Hong Kong Institute of Chartered Secretaries (香港特許秘書公會) ("HKICS") in 2009, and the Institute of Chartered Secretaries and Administrators (英國特許秘書及行政人員公會) in 2009. Mr. Chow was appointed as the chairman of the mainland development strategies advisory panel and a member of the registration and practicing committee of the HKICPA for the year 2016 in February 2016 (he currently still serves as the chairman of the mainland development strategies advisory panel). Mr. Chow was appointed as a council member and chairman of audit committee of the HKICS in December 2015. Mr. Chow currently serves as a member of the investment management committee of the HKICS. He obtained a professional diploma in accountancy from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1983.

Mr. Wang Hongxiang (王鴻祥), aged 63, was appointed as an independent non-executive Director of the Company on May 25, 2017. He was a teacher of Department of Accounting, Shanghai University of Finance and Economics* (上海財經大學) from August 1983 to November 1998, and the deputy chief accountant of Shenergy (Group) Company Limited* (申能(集團)有限公司) from December 1998 to October 2016. Mr. Wang has served as a director of Haitong Securities Company Limited* (海通證券股份有限公司) (Shanghai Stock Exchange listed, stock code: 600837) since May 2011, an independent director of Goldenmax International Technology Ltd.* (金安國紀科技股份有限公司) (Shenzhen Stock Exchange listed, stock code: 002636) since December 2014, an independent director of Apple Flavor & Fragrance Group Co., Ltd.* (愛普香料集團股份有限公司) (Shanghai Stock Exchange listed, stock code: 603020) since September 2016, and an independent director of Shanghai Yuyuan Tourist Mart Co., Ltd.* (上海豫園旅遊商城股份有限公司) (Shanghai Stock Exchange listed, stock code: 600655) since December 2016. Mr. Wang obtained a bachelor's degree in accounting from Xiamen University (廈門大學) in July 1983. He received his executive master of business administration from Shanghai University of Finance and Economics* (上海財經大學) in March 2006. Mr. Wang was accredited as a non-practising member by Shanghai Institute of Certified Public Accountants* (上海市註冊會計師協會) in August 1995. And he was granted the title of senior accountant by Shanghai Expertise Qualification Review Committee, Accounting Series* (上海市會計系列高級專業技術職務任職資格評審委員會) in October 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Zhengdong (劉正東), aged 49, was appointed as an independent non-executive Director of the Company on May 25, 2017. He is currently a senior partner and director (高級合夥人及主任) of Shanghai Junyue Law Firm* (上海市君悦律師事務所). Mr. Liu had served as an independent director of Shanghai Liangxin Electrical Co., Ltd.* (上海良信電器股份有限公司) (Shenzhen Stock Exchange listed, stock code: 002706) from April 2011 to April 2017. He has been an independent non-executive director of Hualing Xingma Automobile (Group) Co., Ltd.* (華菱星馬汽車(集團)股份有限公司) (Shanghai Stock Exchange listed, stock code: 600375) since January 2016, and an independent non-executive director of Sinopharm Group Co. Ltd. (國藥控股股份有限公司). Mr. Liu also currently serves as a member of All China Lawyers Association* (中華全國律師協會), vice president of Shanghai Chamber of Commence* (上海市總商會) and an arbitrator under the China International Economic and Trade Arbitration Commission (中國國際經濟仲裁委員會). Mr. Liu obtained a bachelor's degree in laws from East China University of Political Science and Law (華東政法大學) (formerly known as East China Academy of Political Science and Law (華東政法學院)) in July 1991, and a master's degree in international economic laws from the same university in June 2002. He obtained independent director qualification certificate which authorized by CSRC in March 2002. Mr. Liu has been named as "Shanghai Outstanding Non-litigation Lawyer* (上海市優秀非訴律師)" by Shanghai Lawyers Association* (上海市律師協會) in December 2004, the "National Outstanding Lawyer* (全國優秀律師)" by All China Lawyers Association* (中華全國律師協會) in June 2005, and "Shanghai Leader Talent* (上海市領軍人物)" by Organization Department of CPC Shanghai Committee* (中共上海市委組織部) and Shanghai Municipal Bureau of Human Resources and Social Security* (上海市人力資源和社會保障局) in January 2010. Mr. Liu has been selected as a member of expert advisor panel of Shanghai Municipal People's Congress House Judiciary Committee* (上海市人民代表大會內務司法委員會) since April 2014, a member of Shanghai Press Ethics Committee* (上海市新聞道德委員會) since May 2013, and a people supervisor* (人民監督員) of Shanghai People's Procuratorate* (上海市檢察院) since February 2017.

SUPERVISORS

Mr. Yang Jicai (楊繼才), aged 60, joined the Company in May 2004 and was appointed as Supervisor of the Company in May 2017. He was an executive Director of the ninth session of the Board of the Company appointed on May 19, 2011. He served as an assistant to chief executive officer of the Company from May 2004 to May 2005 and has been the vice general manager of the Company since August 2005. Mr. Yang served as director of China United Travel Company Limited (國旅聯合股份有限公司) (Shanghai Stock Exchange listed, stock code: 600358) from December 1998 to April 2005. He graduated from Shanghai Medical Devices College* (上海醫療器械工業專科學校) (currently known as Shanghai Health Medical College* (上海健康醫學院)) in July 1981, majoring in machinery. Mr. Yang graduated from Shanghai Administrative Management Leader College* (上海市行政管理幹部學院) (currently known as Shanghai Administrative College* (上海行政學院)) in July 1990, majoring in administrative management. He completed the master course in international economy and trade and investment environment from East China Normal University (華東師範大學) and graduated in July 1997.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhao Siyuan (趙思淵), aged 47, joined our Company in April 2014 and was appointed as Supervisor of the Company in April 2014. Ms. Zhao has been the manager of legal department from July 1993 to August 2008, secretary to the board since August 2008 and director and vice general manager since May 2015 of Dazhong Transportation and the chairperson of Dazhong Business Management (our Shareholder) since June 2013. Ms. Zhao is accredited as excellent secretary to the board* (優秀董事會秘書) by The Listed Companies Association of Shanghai* (上海上市公司協會) in May 2015. Ms. Zhao obtained a bachelor degree in law from Shanghai University* (上海大學) in July 1993.

Ms. Zhao Fei (趙飛), aged 40, was appointed as Supervisor of the Company in May 2017. She joined the Company in February 2004 and was served as secretary to the Board from June 2015 to May 2017. She is currently a joint company secretary of the Company. She has been a legal staff of the Company and has been the general manager of our legal department since March 2014. Ms. Zhao was the in-house legal assistant of Dazhong Transportation from July 2000 to December 2003. Ms. Zhao passed the PRC judicial exam and received the qualification of legal profession (法律職業資格證) by Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in February 2007. Ms. Zhao obtained a bachelor degree in law from Shanghai University of Finance and Economics (上海財經大學) in July 2000 and a master degree in law from Fudan University (復旦大學) in January 2011.

SENIOR MANAGEMENT

Three of our executive Directors, namely Mr. Liang Jiawei (梁嘉瑋), Mr. Zhuang Jianhao (莊建浩) and Mr. Yang Weibiao (楊衛標) concurrently hold senior management positions in the Group. For each of their biographies, please refer to this section above.

Mr. Jin Bo (金波), aged 47, was appointed as the vice president and secretary of the Board of the Company on May 25, 2017. Mr. Jin joined the Company in May 2010 as the investment director and served as a director and the general manager of Shanghai Dazhong Group Capital Equity Investment Co., Ltd.* (上海大眾集團資本股權投資有限公司), a subsidiary of the Company, until September 2015. From May 2013 to September 2015, he served as a director, the secretary to the board of directors and the deputy general manager of Shanghai Electronic Intelligence System Co., Ltd.* (上海電科智慧系統股份有限公司), a company in which the Company held an interest. He served as the general manager of Shanghai Huiying Asset Management Co., Ltd.* (上海匯映資產管理有限公司) from September 2015 to May 2016 and the secretary to the board of directors and assistant to the president of China Grand Automotive Services Co., Ltd.* (廣匯汽車服務股份公司) from May 2016 to September 2016. Mr. Jin rejoined the Company in September 2016 as the investment director and has served as the secretary to the Board and investment director of the Company since March 2017.

Mr. Zhao Ruijun (趙瑞鈞), aged 55, was appointed as the vice financial officer of the Company on May 25, 2017. Mr. Zhao obtained the qualification of accountant in the PRC in May 26, 1996, and acted as the financial officer of Shanghai Dazhong Gas Co., Ltd since 2001. He was graduated from Beijing Institute of Metallurgy Management* (北京冶金管理幹部學院) in accountancy in April 1997 and obtained a Master degree of Business Administration from China University of Science and Technology (中華科技大學) in June 2004.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

INFORMATION TO BE DISCLOSED PURSUANT TO RULE 13.51B OF THE HONG KONG LISTING RULES

Mr. Zhuang Jianhao (莊建浩) resigned as a director of Suchuang Gas on September 4, 2018.

Saved as disclosed in the report, as of December 31, 2018, there is no change which is required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AT THE SHAREHOLDERS ENTITIES

The table below sets out the positions held by current and resigned Directors, Supervisors and senior management of the Company at the Shareholders entities of the Company:

(I) Positions in shareholders entities

Name	Name of entities	Position held	Commencement date of term	Cessation date of term
Zhao Siyuan (趙思淵)	Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)	Chairman	From June 2017	–
Li Songhua (李松華)	Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)	Vice party secretary (黨委副書記) and labor union president	June 1, 2014	–

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AT OTHER ENTITIES

The table below sets out the positions held by current Directors, Supervisors and senior management of the Company in other entities:

(I) Positions in other entities

Name	Name of entities	Position held	Commencement date of term	Cessation date of term
Chan Wing Kin (陳永堅)	The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司)	Managing director	May 1, 1997	–
Chan Wing Kin (陳永堅)	Towngas China Co. Ltd. (港華燃氣有限公司)	Chairman and executive director	March 1, 2007	–
Chan Wing Kin (陳永堅)	Shenzhen Gas Corporation Ltd.* (深圳市燃氣集團股份有限公司)	Vice chairman	September 12, 2013	–
Cheung Yip Sang (張葉生)	ENN Group Ltd.* (新奧集團股份有限公司)	Chief executive officer	September 2017	–
Cheung Yip Sang (張葉生)	ENN Energy Holdings Limited* (新奧能源控股有限公司)	Vice chairman of the Board	February 2014	–
Chow Siu Lui (鄒小磊)	Fullshare Holdings Limited* (豐盛控股有限公司)	Independent director	December 1, 2016	–
Chow Siu Lui (鄒小磊)	Universal Medical Financial & Technical Advisory Services Company Limited* (環球醫療金融與技術諮詢服務有限公司)	Independent director	September 6, 2015	–
Chow Siu Lui (鄒小磊)	Sinco Pharmaceuticals Holdings Limited* (興科蓉醫藥控股有限公司)	Independent non-executive director	February 1, 2016	–
Chow Siu Lui (鄒小磊)	Futong Technology Development Holdings Limited* (富通科技發展控股有限公司)	Independent non-executive director	December 2016	–
Chow Siu Lui (鄒小磊)	CEB Greentech Co. Ltd.* (中國光大綠色環保有限公司)	Independent non-executive director	January 2017	–
Chow Siu Lui (鄒小磊)	VMS Investment Group Limited* (鼎佩投資集團有限公司)	Partner	April 2012	–
Li Songhua (李松華)	Shenergy (Group) Company Limited* (申能(集團)有限公司)	Vice chairman of labor union	–	–
Li Songhua (李松華)	Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)	Vice party secretary (黨委副書記) and labor union president	June 1, 2012	–

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of entities	Position held	Commencement date of term	Cessation date of term
Li Songhua (李松華)	Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司)	Vice chairman	December 18, 2013	–
Li Songhua (李松華)	Shanghai Rinnai Co., Ltd.* (上海林內有限公司)	Chairman	December 12, 2013	–
Li Songhua (李松華)	Shanghai Fuji Koki Co., Ltd.* (上海富士工器有限公司)	Vice chairman	–	–
Liang Jiawei (梁嘉瑋)	Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司)	Director	May 15, 2018	May15, 2021
Liang Jiawei (梁嘉瑋)	Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司)	Director	July 2015	–
Liang Jiawei (梁嘉瑋)	Shanghai Dazhong Financial Leasing Co., Ltd.* (上海大眾融資租賃有限公司)	Vice chairman	December 24, 2014	December 23, 2017
Liang Jiawei (梁嘉瑋)	Shanghai Dazhong Group Capital Equity Investment Co., Ltd.* (上海大眾集團資本股權投資有限公司)	Vice chairman	April 22, 2010	–
Liang Jiawei (梁嘉瑋)	The Listed Companies Association of Shanghai* (上海上市公司協會)	Executive vice president	–	–
Liang Jiawei (梁嘉瑋)	Shanghai Dazhong Run Logistics Shares Co., Ltd.* (上海大眾運行物流股份有限公司)	Chairman	–	–
Liang Jiawei (梁嘉瑋)	Shanghai Electronic Intelligence System Co., Ltd.* (上海電科智能系統股份有限公司)	Vice chairman	March, 2018	–
Jin Bo (金波)	Shanghai Xiangyin Road Tunnel Construction Development Co., Ltd.* (上海翔殷路隧道建設發展有限公司)	Executive director and general manager	August 31, 2017	August 30, 2020
Jin Bo (金波)	Shanghai Dazhong Municipal Development Co., Ltd.* (上海大眾市政發展有限公司)	Executive director and general manager	August 23, 2017	August 22, 2020
Jin Bo (金波)	Suchuang Gas Co., Ltd.* (蘇創燃氣股份有限公司)	Non-executive director	September 3, 2018	–
Jin Bo (金波)	Shanghai Yichen Investment Management Co., Ltd.* (上海宜瑨投資管理有限公司)	Supervisor	October 26, 2015	October 25, 2021
Jin Bo (金波)	Shenzhen Sinovatio Technology Co., Ltd.* (深圳市中新賽克科技股份有限公司)	Supervisor	June 15, 2015	August 26, 2021
Liu Zhengdong (劉正東)	Shanghai Junyue Law Firm* (上海市君悦律師事務所)	Chief partner and chairman of partner conference	November 1, 1998	–
Liu Zhengdong (劉正東)	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司)	Independent non-executive director	September 21, 2014	–
Liu Zhengdong (劉正東)	Hualing Xingma Automobile (Group) Co., Ltd.* (華菱星馬汽車(集團)股份有限公司)	Independent non-executive director	January 11, 2016	–

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of entities	Position held	Commencement date of term	Cessation date of term
Wang Hongxiang (王鴻祥)	Shanghai Yuyuan Tourist Mart Co., Ltd.* (上海豫園旅游商城股份有限公司)	Independent director	December 29, 2016	December 28, 2019
Wang Hongxiang (王鴻祥)	Apple Flavor & Fragrance Group Co., Ltd.* (愛普香料集團股份有限公司)	Independent director	September 13, 2016	September 12, 2019
Wang Kaiguo (王開國)	Shanghai Zhongping Guoyu Asset Management Ltd.* (上海中平國瑀資產管理有限公司)	Chairman	November 22, 2016	–
Wang Kaiguo (王開國)	Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Independent director	November 30, 2018	November 29, 2021
Wang Kaiguo (王開國)	Shanghai Rural Commercial Bank Co., Ltd.* (上海農村商業銀行股份有限公司)	Independent director	March 30, 2017	March 29, 2020
Wang Kaiguo (王開國)	Anxin Trust Co., Ltd.* (安信信託股份有限公司)	Independent director	November 23, 2018	November 22, 2021
Yang Guoping (楊國平)	Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司)	Chairman and general manager	May 15, 2018	May 15, 2021
Yang Guoping (楊國平)	Shanghai Jiaoda Onlly Co., Ltd.* (上海交大昂立股份有限公司)	Chairman	June 15, 2018	June 14, 2021
Yang Guoping (楊國平)	Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司)	Chairman	September 28, 2001	–
Yang Guoping (楊國平)	Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司)	Vice chairman	May 25, 2012	–
Yang Guoping (楊國平)	Shanghai Jian Yun Group Co., Ltd.* (上海交運集團股份有限公司)	Director	April 18, 2016	April 17, 2019
Yang Guoping (楊國平)	Nanjiang Public Utilities Development Co., Ltd.* (南京公用發展股份有限公司)	Director	May 18, 2018	May 17, 2021
Yang Guoping (楊國平)	Songz Automobile Air Conditioning Co., Ltd.* (上海加冷松芝汽車空調股份有限公司)	Director	May 16, 2017	May 15, 2020
Yang Guoping (楊國平)	HFT Investment Management Co., Ltd.* (海富通基金管理有限公司)	Independent director	March 16, 2016	March 16, 2019
Yang Guoping (楊國平)	Shanghai Shentong Metro Group Co., Ltd.* (上海申通地鐵股份有限公司)	Independent director	May 9, 2017	May 9, 2020
Yang Guoping (楊國平)	Bright Real Estate Group Co., Limited* (光明房地產集團股份有限公司)	Independent director	August 21, 2015	Extension of term
Yang Jicai (楊繼才)	Jiangsu Dazhong Water Group Co., Ltd.* (江蘇大眾水務集團有限公司)	Chairman	April 7, 2016	–
Yang Weibiao (楊衛標)	Shanghai Dazhong Jiading Sewage Co., Ltd.* (上海大眾嘉定污水處理有限公司)	Chairman	February 7, 2018	–
Yang Weibiao (楊衛標)	Shanghai Dazhong Environment Industry Co., Ltd.* (上海大眾環境產業有限公司)	Chairman	August 31, 2017	–

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of entities	Position held	Commencement date of term	Cessation date of term
Yang Weibiao (楊衛標)	Hangzhou Xiaoshan Qiantang Sewage Co., Ltd.* (杭州蕭山錢塘污水處理有限公司)	Chairman	November 27, 2017	–
Yang Weibiao (楊衛標)	Jiangsu Dazhong Water Group Co., Ltd.* (江蘇大眾水務集團有限公司)	Director	April 7, 2016	–
Yao Cho Fai Andrew (姚祖輝)	Hong Kong Shanghai Alliance Holdings Limited* (滬港聯合控股有限公司)	Chairman of the board	January 1994	–
Yao Cho Fai Andrew (姚祖輝)	Kader Holdings Company Limited* (開達集團有限公司)	Independent non-executive director	September 2004	–
Yu Min (俞敏)	Hainan Dazhong Ocean Industry Co., Ltd.* (海南大眾海洋產業有限公司)	Director	April 25, 2012	–
Yu Min (俞敏)	Shanghai Dazhong Group Capital Equity Investment Co., Ltd.* (上海大眾集團資本股權投資有限公司)	Director	April 22, 2010	–
Yu Min (俞敏)	Shanghai Dazhong Asset Management Co., Ltd.* (上海大眾資產管理有限公司)	Supervisor	August 8, 2014	August 7, 2017
Zhao Siyuan (趙思淵)	Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司)	Director and vice general manager	May 15, 2018	May 15, 2021
Zhao Ruijun (趙瑞鈞)	Dazhong Transportation(Group) Co., Ltd.* (大眾交通(集團)股份有限公司)	Supervisor	May 15, 2018	May 15, 2021
Zhao Ruijun (趙瑞鈞)	Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司)	Supervisor	April 16, 2018	–
Zhao Ruijun (趙瑞鈞)	Hainan Dazhong Ocean Industry Co., Ltd.* (海南大眾海洋產業有限公司)	Chairman	April 27, 2018	–
Zhuang Jianhao (莊建浩)	Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司)	Director and vice general manager	April 2013	–
Zhuang Jianhao (莊建浩)	Nantong Dazhong Gas Co., Ltd.* (南通大眾燃氣有限公司)	Chairman	April 7, 2016	–
Zhuang Jianhao (莊建浩)	Feng Xian Gas Co., Ltd.* (奉賢燃氣股份有限公司)	Director	March 22, 2018	–
Zhuang Jianhao (莊建浩)	Shanghai Songjiang Gas Co., Ltd.* (上海松江燃氣有限公司)	Director	March 18, 2014	–

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

To the best knowledge of the Directors, as at December 31, 2018, 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
Directors					
Mr. YANG Guoping (楊國平)[3][9]	Beneficial owner	A Shares	2,097,861 (L)	0.07%	0.09%
Mr. LIANG Jiawei (梁嘉瑋)[4][9]	Beneficial owner	A Shares	222,300 (L)	0.01%	0.01%
Ms. YU Min (俞敏)[5][9]	Beneficial owner	A Shares	712,621 (L)	0.02%	0.03%
Mr. ZHUANG Jianhao (莊建浩) [6][9]	Beneficial owner	A Shares	115,000 (L)	0.00%	0.00%
Mr. YANG Weibiao (楊衛標)[7][9]	Beneficial owner	A Shares	54,000 (L)	0.00%	0.00%
Supervisor					
Mr. YANG Jicai (楊繼才)[8][9]	Beneficial owner	A Shares	500,306 (L)	0.02%	0.02%
Ms. Zhao Fei (趙飛)	Beneficial owner	A Shares	50,000 (L)	0.00%	0.00%

Notes:

(1) (L) — Long position

(2) As at December 31, 2018, the total number of issued shares of the Company was 2,952,434,675, including 2,418,791,675 A Shares and 533,643,000 H Shares.

(3) 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.

(4) Mr. Liang Jiawei (梁嘉瑋) 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.

(5) 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.

(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) 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.

(8) 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.

(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 Dazhong Business Management.

Saved as disclosed above, as at December 31, 2018, none of the Directors, Supervisors and the chief executives had other interests or short positions.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors and Supervisors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (excluding statutory compensation).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INFORMATION OF SHAREHOLDING AND REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in shareholding and remuneration

Name	Position (note)	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held for the year	Reasons for changes	Total remuneration before tax received from the Group during the Reporting Period (RMB'0000)	Whether he/she received remuneration from the Company's related parties
Yang Guoping (楊國平)	Chairman of the Board	Male	62	2017-05-25	2020-05-25	2,097,861	2,097,861	0	–	448.10	Yes
Liang Jiawei (梁嘉瑋)	Director, President	Male	45	2017-05-25	2020-05-25	222,300	222,300	0	–	417.90	No
Yu Min (俞敏)	Director	Female	58	2017-05-25	2020-05-25	712,621	712,621	0	–	342.30	No
Zhuang Jianhao (莊建浩)	Director,Vice President	Male	57	2017-05-25	2020-05-25	115,000	115,000	0	–	233.20	No
Yang Weibiao (楊衛標)	Director,Vice President	Male	49	2017-05-25	2020-05-25	54,000	54,000	0	–	178.00	No
Chan Wing Kin (陳永堅)	Director	Male	68	2017-05-25	2020-05-25	0	0	0	–	0	No
Li Songhua (李松華)	Director	Male	58	2017-05-25	2020-05-25	0	0	0	–	0	No
Cheung Yip Sang (張葉生)	Director	Male	53	2017-05-25	2020-05-25	0	0	0	–	0	No
Wang Kaiguo (王開國)	Independent Director	Male	59	2017-05-25	2020-05-25	0	0	0	–	10	No
Yao Chao FaiAndrew (姚祖輝)	Independent Director	Male	53	2017-05-25	2020-05-25	0	0	0	–	10	No
Chow Siu Lui (鄒小磊)	Independent Director	Male	58	2017-05-25	2020-05-25	0	0	0	–	10	No
Wang Hongxiang (王鴻祥)	Independent Director	Male	63	2017-05-25	2020-05-25	0	0	0	–	10	No
Liu Zhengdong (劉正東)	Independent Director	Male	49	2017-05-25	2020-05-25	0	0	0	–	10	No
Yang Jicai (楊繼才)	Chairman of the Supervisory Committee	Male	60	2017-05-25	2020-05-25	500,306	500,306	0	–	171.70	No
Zhao Siyuan (趙思淵)	Supervisor	Female	47	2017-05-25	2020-05-25	0	0	0	–	0	Yes
Zhao Fei (趙飛)	Employee Supervisor	Female	40	2017-05-25	2020-05-25	50,000	50,000	0	–	102.70	No
Jin Bo (金波)	Vice President, Secretary of the Board	Male	47	2017-05-25	2020-05-25	0	0	0	–	324.40	No
Zhao Ruijun (趙瑞鈞)	Vice Finance Controller	Male	55	2017-05-25	2020-05-25	0	0	0	–	270.70	No
Total						3,752,088	3,752,088	0	–	2,539.00	

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

PROCEDURE FOR DETERMINING REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND REMUNERATIONS PAID

II. Remunerations of Directors, Supervisors and Senior Management

Decision-making process of remunerations of directors, supervisors and senior management	The remuneration plans of the salaried Directors, Supervisors and senior management are considered at the annual Remuneration and Appraisal Committee under the Board and submitted to the Board for confirmation. Remunerations of Directors, Supervisors and senior management are paid on an annual basis and linked to the Company's operating performance. The remuneration will be resolved and distributed by the Remuneration and Appraisal Committee under the Board after submission to the Board for confirmation, with reference to the audited results at the end of the year. During the Reporting Period, the Company passed the Resolution on Adjusting the Allowance for independent Directors at shareholders' general meeting in 2017, which adjusted the standards of the allowance for independent Directors of the Company and such allowance was paid accordingly.
Basis for determination of remunerations of directors, supervisors and senior management	In accordance with the principle of efficiency, incentives and fairness, the Company links the remunerations of Directors, Supervisors and Senior Management to the Company's operating performance with reference to the audited financial report at the end of the year. The remunerations of some of the Directors and senior management, who are the directors or general managers of the Company's wholly-owned or controlling subsidiaries, are also determined with reference to their annual performance appraisal target (task) book (年度績效考核目標(任務)書) signed with the Company.
Actual amount of remunerations paid to directors, supervisors and senior management	Actual amount of remunerations paid to Directors, Supervisors and senior management of the Company for 2018 was based on the 2018 operation management performance appraisal plan considered and approved by the Remuneration and Appraisal Committee under the Board and confirmed by the Board as well as the annual performance appraisal target (task) book (年度績效考核目標(任務)書) signed. The allowance for independent Directors was paid in accordance with the working allowance standard for independent directors approved at the shareholders' general meeting.
Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period	Total remunerations actually received by all Directors, Supervisors and senior management at the end of the Reporting Period amounted to RMB 25.39 million.

During the Reporting Period, none of the Directors or Supervisors waived or agreed to waive any remuneration.

EMPLOYEES OF THE GROUP

General

Remuneration Policies for Employees

Performance-oriented remuneration linked mechanism was implemented. Remuneration gaps exist as growth, returns and nature of operation of different industries vary, achieving remuneration and performance linked mechanism.

Training

The Company formulated plans for job requirements and enhancement of professional capabilities for different targets. The Company focused on trainings in relation to policies and regulations, professional ethics and overall market capabilities for operation staff; and focused on relevant job trainings for functional department management on the basis of qualifications.

(I) Remuneration Policies

The remuneration standards of the employees of the Company's headquarters are determined by reference to the comprehensive consideration of the difficulty of position management and the contribution to business operation and management. The remuneration standards of the Company's administrators must be determined by reference to the comprehensive consideration of the investment amount, operation and management scale, operational risk level, business indicators during the term of office, and management indicators of the enterprises they operated.

(II) Training Plan

According to the Company's strategic development, and in combination with the needs of employees, we have signed cooperation agreements with professional training institutions, and developed a training plan which combines online and offline open classes. The purposes of the training plan are enhancing the financial capabilities of management personnels at all levels and expand their financial knowledge.

As of December 31, 2018, there were 3,208 employees in the Group.

During the Reporting Period, the salary expenditures of the Group were RMB598 million.

CORPORATE GOVERNANCE REPORT

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. The Company has also complied with the Hong Kong Listing Rules during the Reporting Period. The Company is committed to rigorous corporate governance and risk management.

I. Corporate Governance

During the Reporting Period, the Company strictly followed the Company Law of the PRC, Securities Law, Code of Corporate Governance for Listed Companies issued by the CSRC, CG Code, 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 with clear authorities and responsibilities and checks and balances as well as an effective internal control system in compliance with the requirements of listed companies, and are operated strictly in accordance with the legislation.

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

1. *Shareholders and General Meeting:* The Shareholders of the Company shall have the legal rights stipulated in the law and regulation and the Articles of Association; in accordance with the relevant stipulations and requirements under the listing rules of the Shanghai Stock Exchange and the Articles of Association, the Company held and convened general meetings and ensure they, particularly minority shareholders, enjoy equal status and rights and assume corresponding obligations. During the Reporting Period, one annual general meeting which was convened in compliance with the relevant requirements under the Company Law of the PRC and the Articles of Association, were held by the Company. The Company hired practising solicitors to attend general meeting to confirm and witness the convening procedures, resolutions and the identity of attendants, so as to ensure the resolutions were lawful and valid.

2. *Relations between the Controlling Shareholders and the Company:* The Company has a comprehensive and independent business and self-operation capability. The controlling shareholders of the Company has highly regulated themselves and exercised their rights as investors at the general meeting, and has not directly or indirectly interfered with the decision making and business activities of the Company beyond the general meeting. The Company is independent in respect of staff, assets, finance, organization and business. The Board, supervisory committee and internal organization are operated independently.

3. *Directors and the Board:* The Board consists of 13 Directors; five of them are independent non-executive Directors. During the Reporting Period, all the Directors earnestly performs their duties so as to effectively facilitate standardized operation and rational decision-making of the Board. There are Audit Committee, Nomination Committee and Remuneration and Appraisal Committee under the Board; each professional committee has clearly defined roles and duties. Each director fulfills his/her obligations with diligence and provides strong support for the rational decision of the Company. During the Reporting Period, 10 Board meetings, which were convened in compliance with the relevant requirements under the Company Law of the PRC and the Articles of Association, were held by the Company.

4. *Supervisors and the Board of Supervisors:* The Supervisory Committee consisted of three Supervisors; one of them is employee Supervisor who is elected at the meeting of representatives of employees of the Company. The members of the Board of Supervisors earnestly performed their duties with the spirit of being responsible to all shareholders, supervised the legality of the Company's financial position and performance of Directors and senior management. During the Reporting Period, 9 Board of Supervisors meetings, which were convened in compliance with the relevant requirements under the Company Law of the PRC and the Articles of Association, were held by the Company.

5. *Information Disclosure and Transparency:* In accordance with the requirements of the "Administrative Measures for the Disclosure of Information of Listed Companies" and "The Management System for Information Disclosure", the secretary of the Board and the Board office of the Company are responsible for the disclosure of information and management of investor relationship. The Company strictly complies with the requirements of relevant laws and regulations at both listing places to fulfill the responsibilities of disclosure in a truthful, precise and complete manner, so as to ensure the timeliness and consistency of disclosure at both listing places.

6. *Investor Relationship and Stakeholders:* The Company emphasized the management of the investor relationship. Through investor hotlines, E-Interaction of the Shanghai Stock Exchange, receipt of visits and onsite investigation by personal investors and institutional investors, it maintains communication with investors. Meanwhile, during the Reporting Period, the Company held conferences in respect of the annual results and investor engagement in Hong Kong, which enabled the oversea investors to have more channels to understand the current operating condition and strategic planning of the Company. Adhere to investors' interest as a priority, the Company gave thorough consideration to the legitimate rights and interests of customers, staff and other stakeholders from the perspective of system building and in each link of business operation, and 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.

7. *Establishment of the Company's Governance System:* During the Reporting Period, pursuant to the requirements under relevant documents such as the Opinions of the General Office of the State Council on Accelerating the "Combination of Three Licenses into One" Registration System Reform (Guo Ban Fa [2015] No. 50) and the Notice of Six Departments including the State Administration for Industry and Commerce on Implementing the Opinions of the General Office of the State Council on Accelerating the "Combination of Three Licenses into One" Registration System Reform (Gong Shang Qi Zhu Zi [2015] No. 121), the Company completed the "Combination of Three Licenses into One" procedures for change on industrial and commercial registration and obtained a new industrial and commercial business license. Furthermore, given that the H shares of the Company have been listed and traded on the Main Board of the Hong Kong Stock Exchange on 5 December 2016, the corporate identity of the Company has been changed from a domestic company to a sino-foreign joint venture, and thus the description of the business scope has been changed. Therefore, during the Reporting Period, the Board proposes to consider and approve the "Resolution on the Amendments on the Articles of Association and Change on Industrial and Commercial Registration" at the general meeting, and amend the relevant terms of the "Articles of Association" such as the business scope.

8. *Registration and Management of People in Possession of Inside Information:* During the Reporting Period, the Company strictly implemented the relevant requirements of the "Administrative Measures for the Disclosure of Information of Listed Companies" and "System for the Registration and Management of People in Possession of Inside Information" for registration and management of people in possession and use of inside information to ensure the disclosure of information is lawful and fair. During the Reporting Period, no people possessing inside information traded the Company's shares in violation of the laws and regulations.

There is no material discrepancy between corporate governance and relevant requirements of CSRC during the Reporting Period.

COMPLIANCE WITH CG CODE

The Company has adopted the CG Code 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.

CORPORATE GOVERNANCE REPORT

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 upon Listing.

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 during the Reporting Period.

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) ("**Securities Dealing Code**") on terms no less exacting than the required standard set out in 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.

BOARD OF DIRECTORS

Composition of the Board

Up to the Latest Practicable Date, the Board consisted of thirteen (13) members, including five (5) executive Directors, three (3) non-executive Director, and five (5) independent non-executive Directors.

Executive Directors
Mr. Yang Guoping (楊國平)*(Chairman of the Board)*
Mr. Liang Jiawei (梁嘉瑋)*(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 Chao Fai Andrew (姚祖輝)
Mr. Chow Siu Lui (鄒小磊)
Mr. Wang Hongxiang (王鴻祥)
Mr. Liu Zhengdong (劉正東)

Biographical information of the Directors are set out in the section "Directors, Supervisors and Senior Management" of this annual report.

To the best knowledge of the Company, there is no financial, business, family, or other material relationships among members of the Board.

BOARD MEETINGS

During the Report Period, the Board has convened 10 Board meetings. The following table sets forth the attendance rate of the Directors at the meetings of the Board and general meetings of the Company during the Reporting Period:

II. Performance of Duties by Directors

(1) Attendance of Directors at Board meetings and general meetings

		Attendance at Board meetings						
Name of Director	Independent Director or not	Required attendance for the year (times)	Attendance in person	Attendance by way of communication (times)	Attendance by proxy (times)	Absence (times)	Any failure in attending person for two consecutive meetings	Attendance at general meetings (times)
Yang Guoping (楊國平)	No	10	2	8	0	0	No	1
Liang Jiawei (梁嘉瑋)	No	10	2	8	0	0	No	1
Yu Min (俞敏)	No	10	2	8	0	0	No	1
Zhuang Jianhao (莊建浩)	No	10	2	8	0	0	No	0
Yang Weibiao (楊衛標)	No	10	2	8	0	0	No	0
Li Songhua (李松華)	No	10	2	8	0	0	No	1
Chan Wing Kin (陳永堅)	No	10	2	8	0	0	No	0
Cheung Yip Sang (張葉生)	No	10	0	8	2	0	No	0
Wang Kaiguo (王開國)	Yes	10	2	8	0	0	No	1
Yao Chao Fai Andrew (姚祖輝)	Yes	10	2	8	0	0	No	0
Chow Siu Lui (鄒小磊)	Yes	10	2	8	0	0	No	0
Wang Hongxiang (王鴻祥)	Yes	10	2	8	0	0	No	1
Liu Zhengdong (劉正東)	Yes	10	2	8	0	0	No	1

Number of Board meetings held in the year		10
Including:	Number of on-site meetings	2
	Number of meetings held by way of communication	8
	Number of meetings held on-site with attendance by way of communication	0

Chairman and Chief Executive Officer

To ensure the balanced distribution of power and to enhance independence and accountability, the positions of chairman of the Board and chief executive officer of the Company are held by Mr. Yang Guoping (楊國平) and Mr. Liang Jiawei (梁嘉瑋), respectively.

The chairman of the Board provides leadership for the Board and is responsible for formulating corporate and business strategies and making significant corporations and operations decisions. The chief executive officer focuses on the business development and is responsible for the daily operation and managements and oversees the implementation of the Company's business strategies and plans.

Independent Non-Executive Directors

During the Reporting Period, the Board had complied with the requirements of the Hong Kong Listing Rules that (1) the Board of a listed issuer must include at least three independent non-executive directors; (2) at least one of the independent non-executive directors must have appropriate professional qualifications or appropriate accounting or related financial management expertise; and (3) the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Re-election of Directors

The Company has entered into a service contract with each executive Director and a letter of appointment with each non-executive Director and independent non-executive Director. All Directors have been appointed for a term ending on the expiration of the term of the current session of the Board and shall be entitled to be re-election for a term of three years when the term of office expires. The appointment and removal of Directors shall be approved by Shareholders at the general meeting.

Responsibilities, Accountabilities and Contributions of the Board and the Management

The responsibilities of the Board and the management of the Company have been clearly defined in the Articles of Association.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors shall take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The management of the Company, under the leadership of the chief executive officer of the Company, is responsible for, among other things, implementing the resolutions of the Board and implementing the Company's business plans, investment proposals. The management of the Company shall report to the Board in a timely manner to enable the Board to make informed decisions in the overall interest of the Company.

Continuous Professional Development of Directors

All Directors have participated in continuous professional development program during the Reporting Period in order to keep abreast of their responsibilities, duties and obligations as directors of a dual-listed company.

Every newly appointed Director will receive formal, comprehensive and tailored made induction on the first occasion of his/her appointment to ensure his/her proper understanding of the Company's operations and business as well as his/her responsibilities under relevant statues, laws, rules and regulations. Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. In addition, relevant reading materials including legal and regulatory updates will be provided to the Directors for their reference and studying.

All the Directors have provided a record of training they received to the Company. According to the records maintained by the Company, as of December 31, 2018, all Directors received training in compliance with the code provisions relating to continuous professional development under the CG Code.

During the Reporting Period, the Directors participated in the following training:

Name of Directors	Types of Training
Executive Directors	
Yang Guoping (楊國平)	ABC
Liang Jiawei (梁嘉瑋)	ABC
Yu Min (俞敏)	ABC
Zhuang Jianhao (莊建浩)	ABC
Yang Weibiao (楊衛標)	ABC
Non-executive Directors	
Li Songhua (李松華)	ABC
Cheung Yip Sang (張葉生)	ABC
Chan Wing Kin (陳永堅)	ABC
Independent Non-executive Directors	
Yao Chao Fai Andrew (姚祖輝)	ABC
Chow Siu Lui (鄒小磊)	ABC
Wang Kaiguo (王開國)	ABC
Wang Hongxiang (王鴻祥)	ABC
Liu Zhengdong (劉正東)	ABC

A: attending seminars and/or conferences and/or forums

B: attending in-house training relating to the ongoing compliance obligations, corporate governance and other related topics

C: reading newspapers, publications and updates relating to the economy, general business, automotive component manufacturing industry or Directors' duties and responsibilities, etc.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

Audit Committee

During the Reporting Period and up to the Latest Practicable Date, the Audit Committee comprised the following Directors:

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

The Audit Committee is responsible for, among other things:

- Providing advice to the board on appointment, reappointment and dismissal of external accountants, reviewing the remuneration and terms of employment of external accountants and handling any questions relating to the resignation or dismissal of the accountants.

- Reviewing and checking whether the accounting firm is independent and objective and the audit procedure is valid, and assessing the impact of non-audit services provided by external accounting firms on their independence, and discussing and communicating on the audit scope, audit plan, audit method and major issues found in audit.

- Reviewing the Company's annual internal audit work plan, supervising the formulation and implementation of internal audit system; reviewing the internal audit work report, evaluating the results of internal audit work, and supervising the rectification of major problems; guiding the effective operation of internal audit department.

- Auditing the company's financial information and its disclosure, and commenting on the authenticity, completeness and accuracy of the financial reports; focusing on the major accounting and audit issues of the financial reports of listed companies, and paying special attention to the possibility of fraud, fraud and material misstatement related to financial reporting; supervising the rectification of financial reporting problems.

- Supervising and reviewing the integrity, rationality, appropriateness and effectiveness of the internal control system and system of the company and its controlling subsidiaries; evaluating the company's existing or potential risks and proposing suggestions to improve the company's risk management.

- Confirming the related parties of the company, reporting to the board of directors and the board of supervisors, and reporting to the relevant staff of the company the related party as confirmed.

- other duties authorized by the board of directors.

During the Reporting Period, the Audit Committee held 6 meetings. The Audit Committee has prudently reviewed the Internal Control Evaluation Report of the Company for 2017 and the Audit Report on Internal Control (內部控制審計報告) issued by the auditor. The Audit Committee considers that the Company has further improved its implementation of internal control, enhanced its internal management, strengthened the self-appraisal for the efficiency of the design and implementation of the internal control system, and organised the self-appraisal for internal control in accordance with the Manual on Internal Control Supervision Regime (《內部控制規範體系手冊》) during the Reporting Period. It has also consecutively performed the internal control review by control through the decision-making, implementation and supervision processes. The orderly execution of various special audits and audits for major projects, in combination with the correction of H Shares Issuance, has contributed to the implementation of evaluation results of the design of internal controls. The Company has effectively controlled its investment risks, business risks and operation risks on the foundation of its sound internal control, and continuously improved the corporate governance through an intensified study on the new regulations and new systems of regulators. The Audit Committee has agreed to engage BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's domestic auditor for 2018, and BDO Limited as the overseas auditor of the Company for 2018, The standard audit reports with unqualified opinion issued by the two auditors are objective and fair, supporting that the financial reports of the Company can give a true and accurate view of the Company's financial position and operating results.

The attendance records of members of the Audit Committee are set out below:

Name of Director	Number of meetings	Attendance in person	Attendance by proxy	Absence
Mr. Wang Hongxiang (王鴻祥) *(Chairman)*	6	6	0	0
Mr. Yao Cho Fai Andrew (姚祖輝)	6	6	0	0
Mr. Chow Siu Lui (鄒小磊)	6	6	0	0

Remuneration and Appraisal Committee

During the Reporting Period and up to the Latest Practicable Date, the Remuneration and Appraisal Committee comprised the following Directors:

Independent non-executive Directors
Mr. Wang Kaiguo (王開國) *(Chairman)*
Mr. Yao Cho Fai Andrew (姚祖輝)

Executive Director
Mr. Yang Guoping (楊國平)

The Remuneration and Appraisal Committee is responsible for, among other things:

- Researching on the assessment criteria for Directors, managers and other senior management staff, conducting assessment on and establishing formal and transparent procedures to formulate compensation policies and making recommendations.
- Formulating the assessment criteria for Directors, managers and other senior management staff, conducting assessment on and establishing formal and transparent procedures to formulate compensation policies and making recommendations.
- Studying and reviewing the remuneration policies and packages of Directors, managers and other senior management staff and supervising the implementation of the remuneration system.
- Reviewing and approving executive compensation proposals based on the Company's policies and objectives set out by the Board.
- Considering the remunerations paid and time commitment and duties required by similar companies and the employment conditions of other positions in subsidiaries of the Company.
- Reviewing and approving compensations payable to the executive Directors and other members of senior management for loss or termination of their office or appointment, to ensure such compensations are in accordance with the terms of relevant contracts, and in case of inconsistency with the contractual terms, the compensations are fair and reasonable and not excessive.
- Ensuring that none of the Directors nor any of their associates are involved in determining their own remunerations.
- Other duties delegated by the Board.

The Remuneration and Appraisal Committee shall make recommendations to the Board on the remuneration packages of the Directors and senior management for the Board's approval and the Board shall have power to veto remuneration plans or proposals which are not in the interests of Shareholders.

During the Reporting Period, the Remuneration and Appraisal Committee held 1 meeting to review, determine and make recommendations to the Board on the remuneration policies and structure of the Company, the remuneration packages of the executive Directors and senior management and other related matters.

The attendance records of members of the Remuneration and Appraisal Committee are set out below:

Name of Director	Number of meetings	Attendance in person	Attendance by proxy	Absence
Mr. Wang Kaiguo (王開國) *(Chairman)*	1	1	0	0
Mr. Yao Cho Fai Andrew (姚祖輝)	1	1	0	0
Mr. Yang Guoping (楊國平)	1	1	0	0

Details of remuneration of all the Directors, Supervisors and certain members of the senior management for the year ended December 31, 2018 are set out in note 15 to the financial statements in this annual report.

Nomination Committee

During the Reporting Period and up to the Latest Practicable Date, the Nomination Committee comprised the following Directors:

Independent non-executive Directors
Mr. Yao Cho Fai Andrew (姚祖輝) *(Chairman)*
Mr. Liu Zhengdong (劉正東)

Executive Director
Mr. Yang Guoping (楊國平)

The Nomination Committee is responsible for, among other things:

- Studying the selection criteria and procedures of Directors, managers and other senior management members to be appointed by the Board of Directors and making recommendations.

- Identifying qualified candidates from a broad range.

- Reviewing the candidates and making recommendations.

- Making recommendations to the board on the appointment or reappointment of directors and the succession plan of Directors (especially the chairman and manager).

- Assessing the independence of independent non-executive Directors.

- Checking, at least annually, the structure, size and composition of the Board of Directors (including skills, knowledge and experience), and making recommendations on the any proposed changes to the Board of Directors to complement the company's strategy.

- other duties delegated by the Board.

Board Diversity Policy

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy adopted by the Company, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, and where necessary, recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to implement our corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The following tables summarize the Board's diversity in terms of gender, age and length of service:

Gender	Number of Directors
Male	12
Female	1

Age	Number of Directors
Below 50	3
Between 50 and 59	7
Between 60 and 69	3
70 or above	0

Length of service as Director	Number of Directors
Less than 3 years	5
Between 3 to 5 years	3
5 years and more	5

During the Reporting Period, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of members of the Nomination Committee are set out below:

Name of Director	Number of meetings	Attendance in person	Attendance by proxy	Absence
Mr. Yao Cho Fai Andrew (姚祖輝) *(Chairman)*	1	1	0	0
Mr. Yang Guoping (楊國平)	1	1	0	0
Mr. Liu Zhengdong (劉正東)	1	1	0	0

Nomination Procedures

The Nomination Committee will study on the selection criteria, selection procedures and tenure of the directors and senior management of the Company in accordance with the requirements of the relevant laws, administrative regulations, other regulatory documents, the Articles of Association and the Hong Kong Listing Rules and based on the actual situation of the Company. The resolution resulting from this process will be submitted to the board of directors for consideration and approval, and then be followed and implemented.

The selection and appointment procedures for directors and senior management are as follows: (I) the Nomination Committee shall actively communicate with the relevant departments of the Company for studying on the demand for new directors and senior management of the Company and formulating documents thereon; (II) the Nomination Committee shall broadly search for candidates suitable for assuming the roles of directors, managers and other senior management from the Company, the Company's holding (investee) companies and talent markets; (III) gather information about the primary candidates, including their professions, academic qualifications, titles, detailed work experience, all part-time jobs, etc.; (IV) seek consent from the nominated persons to the nomination, or they shall not be suitable as candidates for directors and senior management; (V) convene the meetings of the Nomination Committee for conducting qualifications examination on the primary candidates based on the credentials for directors and senior management; (VI) recommendations and the relevant documents in relation to the director candidates and the new candidates for senior management shall be tendered to the board of directors 10 days before the election of new directors and the engagement of new senior management; (VII) perform other follow-up works according to the decisions made by the board of directors and the feedbacks.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

INFORMATION ON THE GENERAL MEETINGS

III. General Meeting

General meeting	Date of convention	Directory to designated site of publication of the resolution	Date of disclosure of the publication of resolution
2017 annual general meeting	May 17, 2018	The Shanghai Stock Exchange http://www.sse.com.cn	May 18, 2018

Information on the general meeting

1. Attendance of shareholders in the 2017 annual general meeting 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	22	1	23
Number of shares carrying voting rights held by the shareholders attending the meeting (Share)	654,645,837	17,156,000	671,801,837
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 (%)	22.1731	0.5811	22.7542

The meeting considered and approved resolutions including the work report of the Board of Directors for the year 2017, the work report of the Board of Supervisors for the year 2017, the final financial report for the year 2017 and the financial budget report for the year 2018, the profit distribution proposal of the Company for the year 2017, resolution on the estimated ongoing ordinary related party transactions of the Company for the year 2018, resolution on the application of bank credit facilities of the Company, resolution on the proposal of the provision of guarantee for its controlled subsidiaries with respect to their external financing, resolution on the proposal for the Company and its subsidiaries to use idle funds for entrusted financing, resolution on the re-appointment of the domestic audit firm and internal control audit firm for the Company for the year 2018, resolution on the re-appointment of the overseas audit firm for the Company for the year 2018, resolution on the registration and issuance of super short-term commercial papers and short-term commercial papers, resolution on the registration and issuance of mid-term notes, resolution on the adjustment of independent directors' allowance, resolution on the amendment on the Articles of Association and the change on industrial and commercial registration. 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

Shareholders' Requests to Convene an Extraordinary General Meeting

Pursuant to Article 76 of the Articles of Association, Shareholders requesting to convene an extraordinary general meeting or class meeting shall follow the following procedures:

(i) two or more shareholders who collectively hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board of Directors on holding an extraordinary general meeting or class meeting by signing one or several written requests with same content in same format and define the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders.

(ii) in case that the Board fails to give a notice of convening such meeting within 30 days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within 4 months after receipt of the request by the Board, and the procedures shall be the same as those for convening a general meeting by the Board where possible.

The expenses reasonably incurred by shareholders in convening and holding such a meeting for the Board fails to hold such a meeting on the aforesaid request shall be borne by the Company and shall be deducted from any payment due by the Company to non-performing Directors.

Proposals at the General Meetings

Pursuant to Article 79 of the Articles of Association, When the Company convenes a general meeting, the Board, the Board of Supervisors and Shareholder(s) individually or jointly holding more than 5% of the Company's shares shall have the right to propose resolutions to the Company.

However, for proposals related to division, merger, dissolution, liquidation of the Company, replacement of members of the Board of Directors and the Board of Supervisors, and amendments to the Articles of Association, only shareholders individually holding more than 20% of the Company's shares for 3 consecutive years shall have the right to propose resolutions to the Company.

Shareholder(s) individually or jointly holding more than 5% of the Company's shares may propose interim resolutions in writing to the convener(s) 10 working days before the general meeting is convened.

The convener(s) shall issue a supplementary notice of the general meeting within 2 days after receiving the resolutions to announce the contents of the special resolutions.

Except as provided in the preceding paragraph, after sending out a notice of general meeting, the convener(s) shall not make any amendments to the proposals included in the notice of general meeting or add any new proposals.

The Board shall examine the proposals of the general meeting in accordance with the Articles of Association in the best interests of the Company and the shareholders. Proposals not set out in the notice of general meeting or not complying with the Articles of Association shall not be submitted to the general meeting for voting and resolution by the Board.

Putting Forward Enquiries to the Board

Shareholders may put forward enquiries to the Company in writing, and may send their enquiries or requests as mentioned above to the Company by means of facsimile, email or post. The details of contact are as follows:

Secretary to the Board's office of the Company

Address:	8/F, Dazhong Building, 1515 Zhongshan West Road, Shanghai, PRC
Facsimile:	+86(21) 64288727
Email:	master@dzug.cn

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognises that it is accountable to its stakeholders and considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

To promote effective communication, the Company has established a shareholder communication policy and maintains a website at www.dzug.cn, where information and updates on the Company's business developments and operation, financial information, corporate governance practices and other information are available for public access.

CORPORATE GOVERNANCE REPORT

ARTICLES OF ASSOCIATION

During the Reporting Period, in order to comply with the requirements of the reform of registration system, and on the ground that the H shares of the Company have been listed on the Hong Kong Stock Exchange, the corporate identity of the Company has been changed from a domestic company to a sino-foreign joint venture. Therefore, the description of the business scope has been changed and amendments have been made to the Articles of Association of the Company accordingly. Such amendments have been passed as a special resolution by Shareholders at 2017 AGM. For details of such amendments, please refer to the circular of the Company dated April 20, 2018.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended December 31, 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 130 to 136 of this annual report.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company (including BDO and BDO China Shu Lun Pan Certified Public Accountants LLP), in respect of audit services for the annual report for the year ended December 31, 2018 amounted to HKD1.3 million and RMB1.9 million, of which HKD1.3 million is for audit services rendered by BDO.

Current appointment

Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of the domestic accounting firm	RMB1.5 million
Term of audit of the domestic accounting firm	19 years
Name of the overseas accounting firm	BDO
Remuneration of the overseas accounting firm	HK$1.3 million
Term of audit of the overseas accounting firm	3 years

	Name	Remuneration
Accounting firm for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP	RMB0.4 million

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has built a corporate infrastructure which includes detailed internal control and risk management policies that govern all major aspects of its operations in each department, including operational procedures, responsibility allocation, resource management, reporting hierarchy and internal assessment criteria. The internal control and risk management policies are subject to review and amended to reflect changes in market conditions, applicable rules and regulations and risk profiles of the Company's various business segments.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems by identifying, evaluating and managing significant risks.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems. The Company has established an internal audit department which is responsible for internal audit function and independent review on the adequacy and effectiveness of risk management and internal control system. The internal audit department examines major matters relating to accounting practices and material controls and provide the Audit Committee with its findings and suggestions for improvement.

During the year ended December 31, 2018, the Board reviewed the risk management and internal control system for 1 time and reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and considered the risk management and internal control system to be effective and adequate.

JOINT COMPANY SECRETARIES

Ms. Zhao Fei (趙飛), one of the Company's joint company secretaries, is responsible for advising on the Board on corporate governance and compliance matters and in charge of the preparation and documentation for general meetings and Board meetings of the Company.

In order to uphold good corporate governance and to ensure compliance with the Hong Kong Listing Rules, the Company has appointed Ms. Chen Chun (陳淳), an executive officer of SWCS Corporate Services Group (Hong Kong) Limited and an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, as a joint company secretary to assist Ms. Zhao Fei (趙飛), in discharging her duties and responsibilities as company secretary of the Company. The key contact person between Ms. Chen Chun and the Company is Ms. Zhao Fei. During the Report Period, Ms. Zhao Fei and Ms. Chen Chun took part in relevant professional trainings for no less than 15 hours for the purpose of being compliance with the Rule 3.29 of the Hong Kong Listing Rules.

IV. Risk Discovered by the Board of Supervisors

The Board of Supervisors has no objection to the supervision during the Reporting Period.

V. The Company's Independence from Its Controlling Shareholder in terms of Business, Personnel, Assets, Organization and Finance and Ability to Maintain Independent Operation

Not applicable

VI. The Establishment and Implementation of the Assessment Mechanism and Incentive Mechanism for Senior Management during the Reporting Period

The Company has a performance evaluation system for senior management. The Remuneration and Appraisal Committee under the Board was responsible for the formulation of remuneration policy and determination of remuneration plan. The Remuneration and Appraisal Committee followed the Company's annual operation targets to assess the operating results and management indicators of senior management of the Company and determined the annual remuneration of senior management of the Company, which was implemented after confirmation of the Board. The Company will follow the market orientation and gradually improved the existing performance evaluation system and the remuneration system to form a more effective system of allocation incentives and restrictions, thereby to encourage senior management to perform their duties diligently and conscientiously and to protect the interests of shareholders and the Company.

VII. Whether to disclose internal self evaluation report

Please refer to Internal Control Evaluation Report of Shanghai Dazhong Public Utilities (Group) Co., Ltd. for 2018 (《上海大眾公用事業(集團)股份有限公司2018年內部控制評價報告》) which will be disclosed on the Shanghai Stock Exchange's website (www.sse.com.cn) dated March 30, 2019 for the detailed Internal Control Evaluation Report of the Company for 2018.

VIII. Relevant information on internal control audit report

BDO China Shu Lun Pan Certified Public Accountants LLP, the internal control auditor of the Company issued a standard unqualified internal control audit report for the Company. Please refer to Internal Control Evaluation Report of Shanghai Dazhong Public Utilities (Group) Co., Ltd. for 2018 (《上海大眾公用事業(集團)股份有限公司2018年內部控制評價報告》) disclosed on the Shanghai Stock Exchange's website (www.sse.com.cn) dated March 30, 2019 for details of the internal control audit report.

CORPORATE GOVERNANCE REPORT

IX. Others

In March 2019, the Company received the Case Closure Notice: "Regarding the matters in the Notification of Investigation Notice of China Securities Regulatory Commission* (《中國證券監督管理委員會調查通知書》) (No.: Hu Diao Cha Tong Zi No. 2018-2-023) from CSRC, and the CSRC believes that the non-compliance involved by your company was immaterial and had been rectified promptly with no consequences of harms. No administrative penalty shall be imposed according to law. The CSRC now decides to close the case." For details, please refer to the announcement of the Company dated March 18, 2019.

On July 24, 2018, the Company received the Investigation Notice* (《調查通知書》) (No.: Hu Diao Cha Tong Zi No. 2018-2-023) from CSRC, stating that: "As your company is suspected of being involved in short-swing trading, CSRC decided to commence an investigation on your company in accordance with relevant provisions under the Securities Law of the People's Republic of China. Please cooperate with CSRC." For details, please refer to the announcement of the Company dated July 26, 2018.

The Company fully cooperated with the investigation of the CSRC, and the CSRC made the above-mentioned closing decision.

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF SHANGHAI DAZHONG PUBLIC UTILITIES (GROUP) CO., LTD.
(上海大眾公用事業(集團)股份有限公司)
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (the "Company") and its subsidiaries (hereafter collectively referred to as "the Group") set out on pages 137 to 290, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidation of entities in which the Group holds 50% voting rights

Refer to note 5(a) to the consolidated financial statements and the accounting policies on note 4(b).

As at 31 December 2018, the Company holds a 50% equity interests in two subsidiaries, namely Shanghai Dazhong Gas Group Co., Ltd. ("Shanghai Dazhong Gas") and Nantong Dazhong Gas Co., Ltd. ("Nantong Dazhong Gas") (together as "50% Subsidiaries"). The directors of the Company considered that the Company has the practical ability to direct the relevant activities of 50% Subsidiaries, which demonstrates the Group has power over 50% Subsidiaries, exposure to variable returns from 50% Subsidiaries and ability to use its power to affect its variable returns throughout the year based on all relevant facts and circumstances and therefore the Company is able to consolidate these entities in the consolidated financial statements. The determination of the Company has control over 50% Subsidiaries is a key audit matter due to the significant judgment involved and the potential financial impact is significant to the presentation of consolidated financial statements.

Our response:

Our audit procedures in relation to assessment of appropriateness of consolidation of 50% Subsidiaries included:

- obtained and reviewed those relevant terms in the shareholders' agreements and articles of association of 50% Subsidiaries;
- obtained and reviewed minutes of the board meeting of 50% Subsidiaries;
- discussed with management of the Company concerning the basis for consolidation of financial statements of 50% Subsidiaries; and
- attended an interview with the directors of 50% Subsidiaries, and enquired certain facts and circumstances concerning the consolidation of 50% Subsidiaries.

Significant influence over investees

Refer to note 5(a) to the consolidated financial statements and the accounting policies on note 4(c).

As at 31 December 2018, the Company had investments in three entities, namely Shenzhen Capital Group Co., Ltd. ("Shenzhen Capital Group"), Shanghai Electronic Intelligence System Co., Ltd. ("SEISYS") and Suchuang Gas Corporation Limited ("Suchuang Gas"), in which the Group held 12.80%, 16.63% and 19.31% of their equity interests respectively. The directors of the Company considered that the Group has significant influence over these three investments since the Group actively participates in these three entities' operating and financial policies, and thus investment in these three entities are accounted for as associates of the Group using the equity method. The determination of the Group has significant influence over these investments is a key audit matter due to the significant judgment involved and potential financial impact is significant to the presentation of consolidated financial statements.

Our response:

Our audit procedures in relation to assessment of the existence of significant influence over investees included:

- obtained and reviewed those relevant terms in the shareholders' agreements and articles of association of these three entities;
- obtained and reviewed minutes of the board meeting of these three entities;
- discussed with management of the Company concerning the basis of these three entities accounted for as associates in the consolidated financial statements; and
- attended an interview with the directors of these three entities and enquired relevant facts and circumstances concerning the significant influence over these three entities.

Lease receivables impairment assessment

Refer to note 29 to the consolidated financial statements and the accounting policies on note 4(j)A(ii).

As at 31 December 2018, the Group's gross lease receivables balance amounted to approximately RMB1,979,563,000 and the expected credit losses ("ECLs") were approximately RMB28,649,000.

The assessment on ECLs relies on the analysis and judgment by the management. The key factors includes the debtors' and guarantors' financial and operating conditions, any other pledged assets, the liquidity of the collaterals of the leases and loans and the cash flow forecast of the debtors' business with reasonable discount rates. The assessment on ECLs on lease receivables mainly depends on the external macroeconomic conditions and internal credit risk management. The ECLs determined by the Group had also included the review on historical loss experience and other adjusting factors.

Since the Group's management involves complex and significant judgments in identifying and accruing impairment of receivables, we determine that the impairment of lease receivables is a key audit matter.

Our response:

Our audit procedures in relation to ECLs assessment on lease receivables included:

- assessed the methodologies and inputs adopted by the management of the Group in estimating the expected credit loss of lease receivables;
- checked to lease agreements and subsequent repayments of the receivables; and
- checked to the accuracy of records and evaluated the reasonableness of management's judgement on collateral held and credit worthiness of the debtors.

Fair value measurement for financial assets

Refer to note 51(b) to the consolidated financial statements and accounting policies on note 4(j).

As at December 31, 2018, the Group has financial assets of RMB1,908,202,000 measured at fair value, and which RMB1,429,426,000 are measured at fair value with level 3 inputs. Level 3 inputs for financial assets and liabilities are not based on active market prices, nor based on observable market data.

Management assessed and measured the level 3 fair value of financial assets using particular valuation techniques, with assistance from external valuers, if any, by using the model of income approach. The determination of the model adopted and inputs requires significant judgement or estimation, any changes to the model adopted and inputs would significantly affect the amount of the fair value. Therefore, we consider that the fair value measurement of financial assets with level 3 inputs are the key audit matters.

Our response:

Our audit procedures in relation to the fair value measurement using of level 3 inputs for financial assets included:

- Obtained the calculation sheets of fair value estimation of financial assets at fair value of level 3 inputs, evaluated the appropriateness of the model used and tested the accuracy of the calculation sheets;
- Evaluated the independent external valuers' competence, capability and objectivity, if any; and
- Challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discounted rates of the discounted cashflow forecast. We reconciled the input data of expected revenue growth rates of the discounted cashflow forecast and expected profit margins to the management's forecast of future profits, strategic plans and history data. We compared the discounted rate with the comparable company in the open market to assess whether reasonableness of the discount rate used.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company assists those charged with governance in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide with those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	7	**5,062,376**	4,741,950
Cost of sales		**(4,517,318)**	(3,954,023)
Gross profit		**545,058**	787,927
Other income and gains	8	**70,185**	37,776
Selling and distribution costs		**(199,130)**	(186,555)
Administrative expenses		**(360,138)**	(535,329)
Investment income and gains, net	11	**163,426**	368,033
Finance costs	12	**(344,236)**	(262,553)
Share of results of associates	26	**613,761**	418,045
Profit before income tax expense	14	**488,926**	627,344
Income tax expense	17	**(59,598)**	(71,841)
Profit for the year		**429,328**	555,503
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**(485,122)**	(108,315)
Change in fair value of available-for-sale financial assets		**–**	(2,091)
Changes in fair value of financial assets at fair value through other comprehensive income (recycling)		**4,992**	–
Recycle of change in fair value of available-for-sale financial assets to profit or loss		**–**	(186,700)
Exchange differences on translating foreign operations		**3,167**	(1,543)
Items that will not be reclassified to profit or loss:			
Re-measurement (losses)/gains on defined benefit obligations		**(2,418)**	3,766
Changes in fair value of equity instruments at fair value through other comprehensive income (non-recycling)		**(27,353)**	–
Other comprehensive income for the year, net of tax		**(506,734)**	(294,883)
Total comprehensive income for the year		**(77,406)**	260,620
Profit for the year attributable to:			
Owners of the Company		**478,489**	474,133
Non-controlling interests		**(49,161)**	81,370
		429,328	555,503
Total comprehensive income for the year attributable to:			
Owners of the Company		**(28,368)**	181,562
Non-controlling interests		**(49,038)**	79,058
		(77,406)	260,620
Earnings per share			
Basic and diluted	19	**RMB0.16**	RMB0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	20	**4,859,279**	4,921,963
Investment properties	21	**60,554**	62,751
Payments for leasehold land held for own use under operating leases	22	**69,905**	71,084
Goodwill	23	**14,049**	1,312
Intangible assets	24	**952,919**	584,887
Investments in associates	26	**7,096,229**	5,501,551
Financial assets at fair value through other comprehensive income	35	**441,850**	–
Available-for-sale financial assets	27	**–**	893,244
Trade receivables	28	**145,525**	149,445
Lease receivables	29	**888,543**	729,022
Amount due from grantor	30	**543,020**	581,670
Long-term prepayment		**6,041**	1,865
Deferred tax assets	31	**35,495**	32,406
Total non-current assets		**15,113,409**	13,531,200
Current assets			
Inventories	32	**41,951**	26,735
Amount due from an associate	26	**–**	318,996
Trade and bills receivable	28	**426,439**	306,649
Lease receivables	29	**897,314**	620,231
Loan receivables	33	**–**	137,507
Prepayments and other receivables	34	**185,526**	93,826
Amount due from grantor	30	**38,649**	36,698
Financial assets at fair value through profit or loss	35	**1,466,352**	21,178
Available-for-sale financial assets	27	**–**	175,000
Pledged deposits	36	**37,472**	219,473
Cash and cash equivalents	36	**3,015,139**	4,912,508
Total current assets		**6,108,842**	6,868,801
Current liabilities			
Borrowings	37	**3,168,035**	3,008,013
Corporate bonds payable and short-term bonds payable	38	**–**	2,609,653
Trade payables	39	**1,383,006**	1,263,609
Other payables	40	**860,995**	836,597
Deferred income	41	**217,049**	212,693
Amounts due to customers for contract work	42	**–**	641,345
Contract liabilities	43	**758,127**	–
Employee defined benefits	44	**2,021**	1,977
Current tax liabilities		**39,247**	39,279
Total current liabilities		**6,428,480**	8,613,166
Net current liabilities		**(319,638)**	(1,744,365)
Total assets less current liabilities		**14,793,771**	11,786,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Borrowings	37	**1,753,936**	827,882
Corporate bonds payable and medium-bonds payables	38	**2,779,471**	1,092,799
Other payables	40	**387,921**	343,148
Deferred income	41	**1,086,638**	1,117,635
Employee defined benefits	44	**37,034**	34,738
Provision for restoration	45	**41,011**	32,560
Deferred tax liabilities	31	**182,754**	34,792
Total non-current liabilities		**6,268,765**	3,483,554
Net assets		**8,525,006**	8,303,281
Equity			
Share capital	46	**2,952,435**	2,952,435
Reserves		**4,451,079**	4,232,142
		7,403,514	7,184,577
Non-controlling interests		**1,121,492**	1,118,704
Total equity		**8,525,006**	8,303,281

On behalf of the directors

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company									
	Share capital (note 46) RMB'000	Capital reserve (note 47(a)) RMB'000	Statutory reserve (note 47(b)) RMB'000	Exchange reserve (note 47(c)) RMB'000	Investment revaluation reserve (note 47(d)) RMB'000	Other reserve (note 47(f)) RMB'000	Retained earnings (note 47(g)) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 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 year	–	–	–	–	–	–	474,133	474,133	81,370	555,503
Other comprehensive income for the year:										
Share of other comprehensive income of associates	–	–	–	–	–	(108,315)	–	(108,315)	–	(108,315)
Change in fair value of available-for-sale financial assets	–	–	–	–	2,104	–	–	2,104	(4,195)	(2,091)
Recycle of change in fair value of available-for-sale financial assets to profit or loss	–	–	–	–	(186,700)	–	–	(186,700)	–	(186,700)
Exchange differences on translating foreign operations	–	–	–	(1,543)	–	–	–	(1,543)	–	(1,543)
Re-measurement gain on defined benefit obligations (note 44)	–	–	–	–	–	1,883	–	1,883	1,883	3,766
Total comprehensive income for the year	–	–	–	(1,543)	(184,596)	(106,432)	474,133	181,562	79,058	260,620
Issue of ordinary H shares (note 46(i))	49,730	102,793	–	–	–	–	–	152,523	–	152,523
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	50,000	50,000
2016 final dividend paid (note 18)	–	–	–	–	–	–	(177,146)	(177,146)	–	(177,146)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(53,751)	(53,751)
Transfer of other reserves	–	–	–	–	–	148	(148)	–	–	–
Transfer of statutory reserves	–	–	66,895	–	–	–	(66,895)	–	–	–
Acquisition of equity interests of non-controlling interests (note 25)	–	4,035	–	–	–	–	–	4,035	(87,980)	(83,945)
Others	–	–	–	–	–	(39,442)	–	(39,442)	–	(39,442)
At 31 December 2017	2,952,435	1,138,015	800,268	3,671	30,285	1,032,791	1,227,112	7,184,577	1,118,704	8,303,281

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company												
	Share capital (note 46) RMB'000	Capital reserve (note 47(a)) RMB'000	Statutory reserve (note 47(b)) RMB'000	Exchange reserve (note 47(c)) RMB'000	Investment revaluation reserve (note 47(d)) RMB'000	FVOCI reserve (recycling) (note 47(d)) RMB'000	FVOCI reserve (non-recycling) (note 47(d)) RMB'000	Special reserve (note 47(e)) RMB'000	Other reserve (note 47(f)) RMB'000	Retained earnings (note 47(g)) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017 and 1 January 2018 at originally presented	2,952,435	1,138,015	800,268	3,671	30,285	–	–	–	1,032,791	1,227,112	7,184,577	1,118,704	8,303,281
Initial application of IFRS 9 (note 2 (a))	–	–	(239)	–	(30,285)	(1,508)	31,793	–	–	315,774	315,535	110,128	425,663
Restated balance as at 1 January 2018	2,952,435	1,138,015	800,029	3,671	–	(1,508)	31,793	–	1,032,791	1,542,886	1,542,886	1,228,832	8,728,944
Profit for the year	–	–	–	–	–	–	–	–	–	478,489	478,489	(49,161)	429,328
Other comprehensive income for the year:													
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	(485,122)	–	(485,122)	–	(485,122)
Change in fair value of financial assets through other comprehensive income ("FVOCI")	–	–	–	–	–	4,992	(28,685)	–	–	–	(23,693)	1,332	(22,361)
Exchange differences on translating foreign operations	–	–	–	3,167	–	–	–	–	–	–	3,167	–	3,167
Re-measurement gain on defined benefit obligations (note 44)	–	–	–	–	–	–	–	–	(1,209)	–	(1,209)	(1,209)	(2,418)
Total comprehensive income for the year	–	–	–	3,167	–	4,992	(28,685)	–	(486,331)	478,489	(28,368)	(49,038)	(77,406)
2017 final dividend paid (note 18)	–	–	–	–	–	–	–	–	–	(177,146)	(177,146)	–	(177,146)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(25,938)	(25,938)
Transfer of statutory reserves	–	–	101,701	–	–	–	–	–	–	(101,701)	–	–	–
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	50,000	50,000
Acquisition of a subsidiary with non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	20,816	20,816
Disposal of a subsidiary with non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(103,639)	(103,639)
Others	–	69,227	–	–	–	–	–	247	39,256	186	108,916	459	109,375
At 31 December 2018	2,952,435	1,207,242	901,730	6,838	–	3,484	3,108	247	585,716	1,742,714	7,403,514	1,121,492	8,525,006

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit before income tax expense	**488,926**	627,344
Adjustments for:		
Finance costs	**344,236**	262,553
Share of results of associates	**(613,761)**	(418,045)
Amortisation on payments for leasehold land held for own use under operating leases	**1,234**	2,083
Amortisation on intangible assets	**50,006**	25,405
Depreciation on property, plant and equipment	**354,835**	339,981
Depreciation on investment properties	**2,197**	2,197
Impairment loss on trade receivables	**–**	1,112
Impairment loss on loan receivables	**–**	15,408
Impairment loss on lease receivables	**–**	14,953
Impairment loss on prepayments and other receivables	**–**	2,118
Impairment loss on available-for-sale financial assets	**–**	2,368
Expected credit losses on financial assets	**31,128**	–
Write-off of inventories	**–**	563
Loss on disposal of property, plant and equipment	**7,431**	11,826
Gain on partial disposal of equity interests in associates	**(19,531)**	–
Loss on disposal of subsidiaries	**1,139**	–
(Gain)/loss on disposal of financial assets at fair value through profit or loss – held for trading	**(3,566)**	42,002
Gain on disposal of financial assets at fair value through other comprehensive income	**(482)**	–
Gain on disposal of available-for-sale financial assets	**–**	(251,253)
Gain on disposal of government bonds	**–**	(15,138)
Changes in fair value of financial assets at fair value through profit or loss	**(54,241)**	(17,984)
Dividend income	**(86,655)**	(125,660)
Exchange (gain)/loss, net	**(73,885)**	109,609
Financial income from wastewater treatment income	**(15,234)**	(31,660)
Financial income from public infrastructure projects	**(33,391)**	(36,001)
Bank interest income	**(17,666)**	(21,316)
Other financial income	**(90)**	–
Operating profit before working capital changes	**362,630**	542,465
(Increase)/decrease in inventories	**(15,216)**	611
(Increase)/decrease in trade and bills receivable	**(115,870)**	342,071
Increase in prepayments and other receivables	**(95,876)**	(20,582)
Increase/(decrease) in trade and bills payable	**91,702**	(25,920)
Increase/(decrease) in other payables	**3,501**	(408,104)
Increase in contract liabilities	**758,127**	–
(Decrease)/increase in deferred income	**(26,641)**	2,857
(Decrease)/increase in amounts due to customers for contract work	**(641,345)**	123,534
Cash generated from operations	**321,012**	556,932
Bank interest income	**17,666**	21,316
Income taxes paid	**(58,089)**	(71,207)
Net cash flows generated from operating activities	**280,589**	507,041

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Cash flows from investing activities		
Proceeds from disposals of investments and financial assets	**2,309,728**	76,514
New lease receivables	**1,049,641**	(899,300)
Receipt of rental receivable	**(1,486,245)**	526,026
New loan receivables	**–**	(95,300)
Receipt of loan receivables	**137,507**	167,270
Decrease/(increase) in pledged deposits	**182,001**	(60,473)
Proceeds from return on investment and financial assets	**–**	450,000
Proceeds from disposals of property, plant and equipment, intangible assets and long-term investments	**1,151**	972
Proceeds from disposals of subsidiaries, net of cash and cash equivalents disposed of	**100,447**	–
Proceeds from repayment of amount due from grantor	**36,699**	34,848
Receipt for wastewater treatment tender	**–**	196,276
Acquisition of property, plant and equipment and payments for leasehold land held for own use under operating leases	**(300,788)**	(846,391)
Repayment from/(payment to) amount due from an associate	**318,996**	(318,996)
Acquisition of intangible assets	**(418,038)**	(90,433)
Acquisition of a subsidiary, net of cash acquired	**(80,191)**	2,945
Payments for acquisition of new investments	**(2,705,428)**	(629,603)
Acquisition of an associate	**(1,077,931)**	–
Net cash flows used in investing activities	**(1,932,451)**	(1,485,645)
Cash flows from financing activities		
New bank borrowings	**4,586,097**	3,446,401
Proceeds from issue of corporate bonds	**1,690,000**	–
Repayment of bank borrowings	**(3,500,021)**	(1,933,332)
Proceeds from the issue of short-term bonds payable	**–**	1,500,000
Proceeds from the issue of medium-term bonds payable	**–**	1,100,000
Repayment of corporate bonds payable and short-term bonds payable	**(2,600,000)**	(800,000)
Proceeds from issue of ordinary shares	**–**	152,523
Payments of interest expenses	**(307,629)**	(283,354)
Payments of final dividends	**(177,146)**	(177,146)
Dividends paid to non-controlling interests	**(25,938)**	(53,751)
Capital injection from non-controlling interests	**50,000**	50,000
Acquisition of equity interests of non-controlling interests	**–**	(87,980)
Payment for other financing activities, including share issue cost and payment of state-owned shares	**(36,731)**	(167,562)
Net cash flows generated (used in)/from financing activities	**(321,368)**	2,745,799
Net (decrease)/increase in cash and cash equivalents	**(1,973,230)**	1,767,195
Exchange differences on translating cash flows of foreign operations	**75,861**	(113,420)
Cash and cash equivalents at beginning of year	**4,912,508**	3,258,733
Cash and cash equivalents at end of year	**3,015,139**	4,912,508

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. GENERAL 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 join stock limited 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 during the year. The principal business activities of the Group during the year included piped gas supply, wastewater treatment, public infrastructure projects, transportation services and investments financial services.

In the opinion of the directors, the immediate holding company is Shanghai Dazhong Business Management Co., Limited (上海大眾企業管理有限公司), a company incorporated in the PRC, and the ultimate controlling shareholder of the Company is 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).

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new/revised IFRSs – effective 1 January 2018

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards

The amendments issued under this annual improvements process make small, non-urgent changes to standards where they are currently unclear. The amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of this amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under this annual improvements process make small, non-urgent changes to standards where they are currently unclear. The amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of this amendments has no impact on these financial statements as the Group is not a venture capital organisation.

A IFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and non-controlling interests ("NCI") as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained earnings	
Retained earnings as at 31 December 2017	1,227,112
Recognition of fair value changes arising from transfer of available-for-sale financial assets to financial assets currently measured at fair value through profit or loss ("FVTPL")	330,260
Increase in ECLs in financial assets (note 2(a)A(ii) below)	(9,726)
Increase in ECLs in receivables of associates	(4,760)
Restated retained earnings as at 1 January 2018	1,542,886
Non-controlling interests	
Non-controlling interests as at 31 December 2017	1,118,704
Share of fair value changes arising from transfer of available-for-sale financial assets to financial assets currently measured at FVTPL	113,692
Increase in ECLs in financial assets (note 2(a)A(ii) below)	(3,564)
Restated non-controlling interests as at 1 January 2018	1,228,832

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

	RMB'000
Investment revaluation reserve	
Reserves balances as at 31 December 2017	30,285
Reclassify investments from available-for-sale at fair value to FVOCI (note 2(a)A(i) below)	(30,285)
Restated reserves balance as at 1 January 2018	–
FVOCI reserve (recycling)	
Reserves balances as at 31 December 2017	–
Reclassify investments from available-for-sale at fair value to FVOCI (recycling) (note 2(a)A(i) below)	(1,508)
Restated reserves balance as at 1 January 2018	(1,508)
FVOCI reserve (non-recycling)	
Reserves balances as at 31 December 2017	–
Reclassify investments from available-for-sale at fair value to FVOCI (non-recycling) (note 2(a)A(i) below)	31,793
Restated reserves balance as at 1 January 2018	31,793
Statutory reserve	
Reserves balances as at 31 December 2017	800,268
Recognition of fair value changes arising from transfer of available-for-sale financial assets to financial assets currently measured at FVTPL	289
Increase in ECLs in receivables of associates	(528)
Restated reserves balance as at 1 January 2018	800,029

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) FVOCI; or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieve by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

(I) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under IFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of RMB121,698,000 were reclassified from available-for-sale financial assets at fair value to financial assets at FVOCI and fair value gains of RMB31,793,000 were reclassified from the investment revaluation reserve (recycling) to the FVOCI reserve (non-recycling) on 1 January 2018.

(II) In addition to (a) above, listed debt investments were reclassified from available-for-sale to financial assets at FVOCI, as the Group's business model is to collect contractual cash flow and sell these financial assets. These listed debt investments meet the SPPI criterion. As such, listed debt investments with a fair value of RMB11,743,000 were reclassified from available-for-sale investments to financial assets at FVOCI and the fair value losses of RMB1,508,000 were reclassified from the investment revaluation reserve on 1 January 2018 to the FVOCI reserve (recycling).

(III) As of 1 January 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost to financial assets at FVTPL. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investment for trading purposes. As at 1 January 2018, the difference between the previous carrying amount and the fair value of RMB330,260,000, RMB113,692,000 and RMB289,000 respectively has been included in the retained earnings, non-controlling interests and statutory reserve.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 RMB'000	Carrying amount as at 1 January 2018 under IFRS 9 RMB'000
Listed equity investments	Available-for-sale (at fair value) (note 2(a)A(i)(I))	FVOCI (non-recycling)	121,698	121,698
Listed equity investments	FVTPL	FVTPL	19,440	19,440
Listed debt investments	Available-for-sale (at fair value) (note 2(a)A(i)(II)) and note 2(a)A(ii)(III)	FVOCI (recycling)	11,743	11,743
Listed debt investments	FVTPL	FVTPL	1,738	1,738
Unlisted equity investments	Available-for-sale (at cost) (note 2(a)A(i)(III))	FVTPL	759,803	1,334,159
Investment-linked deposits	Available-for-sale (at fair value)	FVTPL	175,000	175,000
Trade receivables	Loans and receivables (note 2(a)A(ii)(I))	Amortised cost	456,094	453,156
Loan receivables	Loans and receivables (note 2(a)A(ii)(I))	Amortised cost	137,507	137,507
Other and lease receivables	Loans and receivables (note 2(a)A(ii)(II))	Amortised cost	1,422,711	1,409,091
Amount due from grantor	Loans and receivables (note 2(a)A(ii)(II))	Amortised cost	618,368	618,368
Amount due from associate	Loans and receivables (note 2(a)A(ii)(II))	Amortised cost	318,996	318,996
Cash and cash equivalents	Loans and receivables (note 2(a)A(ii))	Amortised cost	4,912,508	4,912,508
Pledged deposits	Loans and receivables (note 2(a)A(ii))	Amortised cost	219,473	219,473

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the ECLs model. IFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs and debt investment at FVOCI earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in other comprehensive income ("OCI"), instead of reducing the carrying amount of the assets.

Impact of the ECL model

(I) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

Piped gas supply's trade receivables:

1 January 2018	Current (not past due)	1 year past due	1-2 years past due	2-3 years past due	3-4 years past due	4-5 years past due	over 5 years past due	Total
Expected credit loss rate (%)	0.02	5.00	25.00	45.00	60.00	75.00	100.00	
Gross carrying amount (RMB'000)	194,509	40,784	6,915	3,415	2,146	1,837	6,703	256,309
Loss allowance (RMB'000)	39	2,039	1,729	1,537	1,287	1,440	6,703	14,774

Wastewater treatment's trade receivables:

1 January 2018	Current (not past due)	1 year past due	1-2 years past due	2-3 years past due	3-4 years past due	4-5 years past due	over 5 years past due	Total
Expected credit loss rate (%)	–	5.00	10.00	15.00	20.00	25.00	100.00	
Gross carrying amount (RMB'000)	209,856	1,839	–	–	–	–	–	211,695
Loss allowance (RMB'000)	–	92	–	–	–	–	–	92

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(I) Impairment of trade receivables (Continued)

Other trade receivables:

1 January 2018	Current (not past due)	1 year past due	1-2 years past due	2-3 years past due	3-4 years past due	4-5 years past due	over 5 years past due	Total
Expected credit loss rate (%)	1.00	5.00	25.00	45.00	60.00	75.00	100.00	
Gross carrying amount (RMB'000)	18	–	–	–	–	–	9,046	9,064
Loss allowance (RMB'000)	–	–	–	–	–	–	9,046	9,046

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as of 1 January 2018 were RMB2,938,000. The loss allowances further increased for RMB7,289,000 for trade receivables during the year ended 31 December 2018.

(II) Impairment of financial assets

Other financial assets at amortised cost of the Group include amounts due from associate, other and lease receivables, amount due from grantor, other receivables, pledged deposits and cash and cash equivalents. Applying the ECL model result in the recognition of ECL of RMB13,620,000 on 1 January 2018 and a further ECL of RMB23,839,000 for the year ended 31 December 2018.

As a result of above changes, the impact of the new IFRS 9 impairment model results in additional impairment allowance as follow:

	RMB'000
Loss allowance as at 1 January 2018 under IAS 39	67,696
Additional impairment recognised for trade receivables	2,938
Additional impairment recognised for other and lease receivables	13,620
Loss allowance as a 1 January 2018 under IFRS 9	84,254

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

A IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(III) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

B IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients.

There was no related impact of transition to IFRS 15 on retained earnings at 1 January 2018.

The following tables summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Groups' consolidated statement of profit or loss and OCI and consolidated statement of cash flow for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as of 31 December 2018

	RMB'000
Current liabilities	
Amounts due to customers for contact work	(641,345)
Other payables	(137,659)
Contract liabilities (note 2(a)B(i))	779,004
Total current liabilities	–

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

B IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(i)	Gas pipeline construction	Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. Therefore, revenue from these contracts are recognised over time. Invoices are issued according to contractual terms and are usually received in advance. Advance consideration received from customers as contract liabilities.	Impact IFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of IFRS 15, the Group has to make reclassification from amount due to customers for contract work to contract liabilities. Under IFRS 15, if there is any advance consideration received from customers, the amount should be recognised as contract liabilities.
(ii)	Sales of gas fuel	Revenues from sales of gas are recognised when gas are supplied to and consumed by the customers. Revenues are measured at the amounts billed to the customers based on the periodic cycle meter readings. Invoices are issued according to contractual terms and are usually received in advance. Advance consideration received from customers as contract liabilities.	Impact IFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of IFRS 15, the Group has to make reclassification from receipt in advance to contract liabilities. Under IFRS 15, if there is any advance consideration received from customers, the amount should be recognised as contract liabilities.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (Continued)

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in its first year.

Amendments to IAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of this amendment has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of this amendment has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

IFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a business[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IAS 1 and IAS 8	Definition of Material[5]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2021

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 " Leases " and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendment clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to IAS 28

The amendment clarifies that IFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, Business Combinations

Amendment to IFRS 3 clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, Joint Arrangements

Amendment to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12, Income Taxes

Amendment to IAS 12 clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23, Borrowing Costs

Amendment to IAS 23 clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 17 – Insurance Contracts

IFRS 17 will replace IFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to IAS 3 – Definition of a business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

Amendments to IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps entities decide whether information should be included in their financial statements.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Group had net current liabilities of approximately RMB319,638,000 as at 31 December 2018. The Group meets its day-to-day working 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 consolidated financial statements. Further information on the Group's bank borrowings is set out in note 37.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. Each entity within the Group maintains its books and records in its own functional currency. The functional currency of the Company is RMB.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill (Continued)

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	8-40 years
Leasehold improvements	3-5 years
Motor vehicles	3-10 years
Gas pipeline and machinery	3-25 years
Equipment, furniture and fixtures	1-20 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(g) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(h) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leasing (Continued)

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(i) Intangible assets

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows:

Wastewater treatment concession rights	14.67-30 years
Computer software	5-10 years
Technical knowhow	10 years

During the year ended 31 December 2018, cargo rental license was acquired through business combinations with indefinite life. Intangible assets with indefinite useful life is carried at cost less any accumulated impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (Continued)

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(j)A Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and bills receivable, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and bills receivable using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, other monetary liabilities and corporate bonds issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the the accounting policy set out in 4(j)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j)B Financial Instruments (accounting policies applied until 31 December 2017)

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For Loans and receivables or Held-to-maturity investments

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Impairment loss on financial assets (Continued)

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is 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. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, other monetary liabilities and corporate bonds issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j)B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Construction contracts (accounting policies applied until 31 December 2017)

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as "amounts due to customers for contract work".

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as "amounts due from customers for contract work".

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weight average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Service concession arrangements

The Group has entered into a number of service concession arrangements with certain governmental authorities in the PRC or their designees (the "Grantors"). The service concession arrangements consist of Build-Operate-Transfer ("BOT") arrangements and Transfer-Operate-Transfer ("TOT") arrangements. Under the BOT arrangements, the Group carries out construction work of the wastewater for the Grantors and receives in return a right to operate the service project concerned for a specified period of time (the "concession period") in accordance with the pre-established conditions set by the Grantors, and the service project shall be transferred to the Grantors at nil or minimal consideration at the end of the concession period. A TOT arrangement is similar to a BOT arrangement, except that the Group pays consideration for the right to operate the sewage and reclaims water treatment or water distribution service that has been built.

Under IFRIC 12 "Service Concession Arrangements", service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The Group as the operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Service concession arrangements (Continued)

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

A financial asset is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset is accounted for in accordance with the policy set out for "Financial instruments" in note 4(j).

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out for "Intangible assets" in note 4(i).

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Service concession arrangements (Continued)

Construction services

Revenue and costs relating to construction services are accounted for in accordance with the policy set out for "Revenue recognition" in note 4(n) (2017: "Construction contracts" in note 4(k)).

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 4(n).

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the wastewater treatment plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the wastewater treatment plants are recognised and measured in accordance with the policy set out for "Provisions and contingent liabilities" in note 4(v).

(n) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sales of goods

Revenues are recognised at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods.

(ii) Sales of gas fuel

Revenues from sales of gas are recognised when gas are supplied to and consumed by the customers. Revenues are measured at the amounts billed to the customers based on the periodic cycle meter readings.

(iii) Gas pipeline construction

Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. Invoices are issued according to contractual terms and are usually received in advance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

(iii) Gas pipeline construction (Continued)

IFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of IFRS 15, the Group has to make reclassification from amount due to customers for contract work to contract liabilities since under IFRS 15, if there is any advance consideration received from customers.

(iv) When the Group receives cash from a customer for the construction or acquisition of an item of property, plant and equipment and the Group must then use the item of property, plant and equipment to provide the customer with ongoing access to a supply of gas, the item of property, plant and equipment is recognised in accordance with IAS 16 "Property, Plant and Equipment" and the revenue (the credit resulting from the initial recognition of the item of property, plant and equipment) is recognised in accordance with IFRS 15 "Revenue from Contracts with Customers". When an ongoing service is identified as part of the arrangement, the revenue is recognised as gas connection income over ten years.

(v) Revenue from wastewater treatment is recognised when services is performed.

(vi) Revenues from construction contracts of wastewater are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs.

(vii) Revenue from public infrastructure projects is recognised when services is performed.

(viii) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

(ix) Interest income is recognised on a time-proportion basis using the effective interest method.

(x) Financial income from wastewater treatment, public infrastructure projects is recognised as it accrues using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

(xi) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

(xii) *Financial leasing income*

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(xiii) Transportation revenues are recognised when the service is performed.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue recognition (accounting policies applied until 31 December 2017)

(i) Revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(ii) Revenue from sale of gas is recognised upon the transmission of gas to the customers, as determined based on the volume of gas transmitted and the applicable fixed tariff rates agreed with the respective customers.

(iii) Revenue from construction contracts of gas pipeline construction is recognised by reference to the percentage of completion of the contract at the reporting date (note 4(k)).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (accounting policies applied until 31 December 2017) (Continued)

(iv) When the Group receives cash from a customer for the construction or acquisition of an item of property, plant and equipment and the Group must then use the item of property, plant and equipment to provide the customer with ongoing access to a supply of gas, the item of property, plant and equipment is recognised in accordance with IAS 16 "Property, Plant and Equipment" and the revenue (the credit resulting from the initial recognition of the item of property, plant and equipment) is recognised in accordance with IAS 18 "Revenue". When an ongoing service is identified as part of the arrangement, the revenue is recognised as gas connection income over ten years.

(v) Revenue from wastewater treatment is recognised when services are rendered.

(vi) Revenue from construction contracts of wastewater treatment construction is recognised by reference to the percentage of completion of the contracts at the reporting date (note 4(k)).

(vii) Revenue from public infrastructure projects is recognised when services are rendered.

(viii) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

(ix) Interest income is recognised on a time-proportion basis using the effective interest method.

(x) Financial income from wastewater treatment, public infrastructure projects is recognised as it accrues using the effective interest method.

(xi) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(xii) Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(p) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

(q) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised as other income in profit or loss on a systematic basis over the useful life of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of each reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in the profit or loss when the services are rendered by the employees.

(iii) Defined benefit retirement plans

One of the subsidiaries of the Company provides supplementary pension subsidies to retired employees in the PRC. Such supplementary pension subsidies are considered as defined benefit plans. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans. A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(t) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment/investment property under cost model;
- payments for leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale))

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties

A party is considered to be related to the Group if:

(i) the party is a person or a close member of that person's family and that person

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group; or

(ii) the party is an entity where any of the following conditions applies:

(a) the entity and the Group are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the entity and the Group are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(h) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

Consolidation of entities in which the Group holds 50% voting rights

Control over Shanghai Dazhong Gas Co., Ltd. ("Shanghai Dazhong Gas")

The Company and Shanghai Gas (Group) Co., Ltd. ("Shanghai Gas Group") each holds a 50% equity interests in Shanghai Dazhong Gas and each party has the right to appoint three directors to the six-member board of directors. The legal representative and the chairman of the board of Shanghai Dazhong Gas, Mr. Yang Guoping, is appointed by the Group pursuant to the articles of association of Shanghai Dazhong Gas. In assessing whether the Group has power over Shanghai Dazhong Gas, the following considerations were taken into account:

Purpose and design of Shanghai Dazhong Gas: The directors consider that the purpose and design since the establishment of Shanghai Dazhong Gas is for the Group to control it. Moreover, the management and operation system of Shanghai Dazhong Gas was set up by the Group and key management personnel overseeing the relevant activities which significantly affect the returns. (i.e. the "Relevant Activities") are nominated and appointed by the Group. In addition, the Group has veto right to block any changes to the current system.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Judgements (Continued)

Consolidation of entities in which the Group holds 50% voting rights (Continued)

Control over Shanghai Dazhong Gas Co., Ltd. ("Shanghai Dazhong Gas") (Continued)

Relevant Activities of Shanghai Dazhong Gas and how decisions about the Relevant Activities are made: The directors have determined that the Relevant Activities of Shanghai Dazhong Gas are: (a) design and construction of gas pipelines; (b) appointment, evaluation and remuneration of key management personnel; (c) budgeting and financial management; (d) management of supply and sales volume difference and major customer discount; and (e) strategic investments. On the other hand, given the strict regulation in the gas supplies supply, neither the Group nor Shanghai Gas Group, which was also the key gas supplier of the Group in Shanghai, was able to adjust the gas procurement and retail price or opt to suspend or terminate gas supply. Accordingly, the directors conclude that supply and sale of piped gas (excluding management of supply and sale volume difference and major customer discount) are not the Relevant Activities. While it was not specified in the articles of association or shareholders' agreement of Shanghai Dazhong Gas, in practice, all important decisions relating to the Relevant Activities were made at the executive management meetings led by the chairman of the board appointed by the Group.

The current ability of the Group to direct relevant activities: The directors concluded that the Group has the current ability to direct the Relevant Activities of Shanghai Dazhong Gas as:

- the Group can nominate and appoint key management personnel of Shanghai Dazhong Gas, which includes the chairman and legal representative, secretary of the board, chief financial officer, chief economist and chief engineer. These key management personnel are those who collectively and individually have the ability to direct the Relevant Activities;

- the chairman appointed by the Group directs Shanghai Dazhong Gas on all significant transactions through his active leadership in the executive management meetings. The chairman is also the legal representative of Shanghai Dazhong who is responsible for signing key contracts with external parties and making relevant payments; and

- the Group has majority voting rights at the remuneration committee which determines the remuneration of key management as an incentive to achieve operational and financial goals of Shanghai Dazhong Gas.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Judgements (Continued)

Consolidation of entities in which the Group holds 50% voting rights (Continued)

Control over Shanghai Dazhong Gas Co., Ltd. ("Shanghai Dazhong Gas") (Continued)

The directors also consider that Shanghai Dazhong Gas does not rely on Shanghai Gas Group operationally or financially and Shanghai Gas Group cannot unilaterally approve any changes to the arrangement discussed above. Based on the above, the directors consider that the Group is the party that has power over Shanghai Dazhong Gas.

Since the Group holds 50% equity interests in Shanghai Dazhong Gas, it is considered that the Group has sufficient exposure from variable returns of Shanghai Dazhong Gas and is able to use its power to affect the variable returns.

Based on all relevant facts and circumstances above, the directors consider that the Company has the practical ability to direct the relevant activities of Shanghai Dazhong Gas, which demonstrates the Group has power over Shanghai Dazhong Gas, exposure to variable returns from Shanghai Dazhong Gas and ability to use its power to affect its variable returns throughout the year.

Control over Nantong Dazhong Gas Co., Ltd. ("Nantong Dazhong Gas")

The Group and Nantong Gas General Group each holds 50% equity interest in Nantong Dazhong Gas and each has appointed three directors to the board of directors which currently comprises of six members. The Group has also appointed the chairman of the board, the vice general manager and the financial controller of Nantong Dazhong Gas. In addition, the procedural rules of the board of directors of Nantong Dazhong Gas specifically provides that the chairman of the board has (i) a casting vote in the event of a deadlock of board vote and (ii) a veto right on matters in daily operations.

Based on all relevant facts and circumstances above, the directors consider that the Company has the practical ability to direct the relevant activities of Nantong Dazhong Gas, which denominates the Group has power over Nantong Dazhong Gas, exposure to variable returns from Nantong Dazhong Gas and ability to use its power to affect its variable returns throughout the year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Judgements (Continued)

Significant influence over investees

The Group has an investment in an entity, namely Shenzhen Capital Group (as defined in note 26(a)) in which it holds 12.80% of its equity interests. The directors consider that the Group has a significant influence over this entity based on the following factors: (1) the Group has the right to appoint 2 directors out of a total of 13 directors of the board of directors of Shenzhen Capital Group and (2) these 2 directors also act as members of strategy and budget committee, remuneration and assessment committee and nomination committee of Shenzhen Capital Group. The above demonstrates that the Group actively participates in the entity's operating and financial policies, and thus investment in Shenzhen Capital Group is accounted for as an associate of the Group.

The Group also has investments in two entities, namely SEISYS (as defined in note 26(a)) and Suchuang Gas (as defined in note 26(a)), in which the Group holds 16.63% and 19.31% of their equity interests respectively. The directors consider that the Group has significant influence over SEISYS based on the following factors: (1) the Group has appointed 2 directors to the boards of directors which consisting 9 executive directors; and (2) the appointed director actively participates in the policy-making process of the entity. Besides, the directors consider that the Group has significant influence over Suchuang Gas based on the following factors: (1) the Group has appointed 1 director to the boards of directors which consisting 9 directors; and (2) the appointed director actively participates in the policy-making process of the entity.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Judgements (Continued)

Significant influence over investees (Continued)

The Group has investments in another three entities in which it holds 21.21%, 30% and 40% of their equity interests respectively. The directors consider that the Group has no significant influence over these entities based on the following factors: (1) the Group is unable to obtain from these entities timely or adequate financial information required to apply the equity method and (2) the shareholder that holds the majority ownership of these entities operates without regard to the views of the Group. The Group therefore does not have the power to participate in these entities' operating and financial policies, and thus it accounts for these investments as financial assets at fair value through profit or loss (2017: available-for-sale financial assets).

(b) Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of non-current assets

The Group depreciates the property, plant and equipment and investment properties and amortises the payments for leasehold land held for own use under operating leases and the intangible assets over their estimated useful lives in accordance with the accounting policies stated in notes 4(e), 4(f), 4(g) and 4(i) respectively. Such estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

Impairment of non-financial assets (except for goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or corresponding cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(b) Estimation and assumptions (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of the Group's goodwill as at 31 December 2018 is RMB14,049,000 (2017: RMB1,312,000).

Impairment of financial assets measured at amortised cost

Management estimates the amount of loss allowance for ECL on financial assets that are measured at amortised cost based on the credit risk of the respective financial asset. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the respective financial asset. The assessment of the credit risk of the respective financial asset involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Construction contracts

As explained in accounting policies stated in note 4(k) and 4(n)(iii), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(b) Estimation and assumptions (Continued)

Estimation of the amortisation period of deferred income

The Group receives fees from customers in advance in exchange for the connection of their gas pipelines. These fees are received upfront and gradually amortised. The Group determines the estimated amortisation period of ten years for its revenue recognition. Any change in the estimation would significantly affect the timing of revenue recognition.

Retirement benefit obligations

The retirement benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in note 44. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement benefit obligations.

IFRIC 12 "Service Concession Arrangements"

As explained in note 4(m), the Group recognises its BOT and TOT arrangements under IFRIC 12 "Service Concession Agreements" because (i) the Grantors control and regulate the services that the Group must provide with the infrastructure at a pre-determined service charge in respect of these BOT and TOT arrangements, and (ii) upon expiry of concession right agreement, the infrastructure has to be transferred to the Grantors at nil or minimal consideration.

The fair value of the construction services under each of the BOT arrangements was calculated as the estimated total construction cost plus a profit margin. The profit margins were estimated based on prevailing market rates applicable to similar construction services rendered in similar locations at dates of agreements.

The Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(b) Estimation and assumptions (Continued)

IFRIC 12 "Service Concession Arrangements" (Continued)

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future wastewater treatment volume of the relevant wastewater treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on its experience and assessment on current and future market condition. Any change in the key assumptions, such as discount rate of 5.4% that the Group used, will result in change in the carrying value of the financial receivable.

Subsequently to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and impairment losses. The estimated useful life of an intangible asset, which is the key assumption in a service concession arrangement, is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period. Any change in the expected useful life would change the carrying amount of the intangible assets.

Estimation of assets restoration obligations

The Group has contractual obligations whereby it must fulfill as a condition of its licence that is to maintain the wastewater treatment plants it operates to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. Provision is recognised for the future restoration, which the amount recognised is the present value of the estimate future expenditure. The estimation of the future expenditure is based on current local conditions and requirements, including legal requirement, contractual requirement, technology, price level, etc. Changes in any of these estimates will impact the level of provision made.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(b) Estimation and assumptions (Continued)

Classification between finance lease and operating lease

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(b) Estimation and assumptions (Continued)

Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures and disclose financial assets at fair value through profit or loss/other comprehensive income (note 35) at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. 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.

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11.

6. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2018	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
Disaggregated by timing of revenue recognition:							
Point in time	3,928,410	264,289	–	–	54,501	–	4,247,200
Over time	625,276	–	15,226	–	–	–	640,502
Revenue from other sources	–	15,234	33,391	–	–	126,049	174,674
Revenue from external customers	4,553,686	279,523	48,617	–	54,501	126,049	5,062,376
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	4,553,686	279,523	48,617	–	54,501	126,049	5,062,376
Reportable segment profit	(109,457)	106,115	28,614	409,933	274,799	36,278	746,282
Unallocated income/(expenses), net							(19,289)
Unallocated interest income							5,773
Unallocated interest expenses							(243,840)
Profit before income tax expense							488,926
Income tax expenses							(59,598)
Profit for the year							429,328
Reportable segment assets	7,896,641	1,337,307	643,035	4,284,162	2,651,968	2,041,652	18,854,765
Unallocated cash and cash equivalents							2,102,858
Corporate assets*							264,628
Total assets							21,222,251
Reportable segment liabilities	4,274,654	452,490	132,590	318,346	66,884	1,638,641	6,883,605
Unallocated borrowings							2,775,500
Corporate bonds and medium-bonds payable							2,779,470
Corporate liabilities#							258,670
Total liabilities							12,697,245

6. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2018	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	59,595	–	–	318,222	235,944	–	613,761
Interest income	4,880	238	453	3,944	40	2,338	11,893
Interest expenses	13,399	9,642	4,826	12,391	113	60,025	100,396
Investment income and gains, net	–	–	–	163,426	–	–	163,426
Amortisation	2,825	45,772	–	–	116	113	48,826
Depreciation	341,991	3,223	1	961	6,894	137	353,211
(Reversal of) Expected credit losses on financial assets	952	5,798	(4)	3,759	8	23,616	34,129
Loss on disposal of property, plant and equipment	7,340	2	–	–	89	–	7,431
Investments in associates	1,527,644	–	–	3,097,379	2,471,206	–	7,096,229
Addition to non-current assets	219,589	349,709	–	4,118	4,929	274	578,619

* Corporate assets consisted of property, plant and equipment, investment property, goodwill, intangible assets and prepayments and other receivables for the amounts approximately RMB95.7 million, RMB39.7 million, RMB1.3 million, RMB6.6 million and RMB44.3 million respectively.

\# Other unallocated corporate liabilities consisted of other payables, salary payables, dividend and interest payable, and deferred tax liabilities for the amounts approximately RMB175.7 million, RMB8.0 million, RMB73.8 million and RMB1.2 million respectively.

6. SEGMENT INFORMATION (Continued)

(a) Business segment

For the year ended 31 December 2017	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	4,387,723	206,909	49,291	–	–	98,027	4,741,950
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	4,387,723	206,909	49,291	–	–	98,027	4,741,950
Reportable segment profit	137,168	72,773	17,258	495,356	228,414	32,687	983,656
Unallocated income/(expenses), net							(197,061)
Unallocated interest income							12,654
Unallocated interest expenses							(171,905)
Profit before income tax expense							627,344
Income tax expenses							(71,841)
Profit for the year							555,503
Reportable segment assets	5,887,681	1,256,164	678,780	3,836,093	2,632,114	1,852,979	16,143,811
Unallocated cash and cash equivalents							3,801,091
Corporate assets*							455,099
Total assets							20,400,001
Reportable segment liabilities	3,965,325	447,831	194,734	226,748	–	1,338,897	6,173,535
Unallocated borrowings							1,959,300
Corporate bonds, medium-bonds and short-term bonds payable							3,702,452
Corporate liabilities‡							261,433
Total liabilities							12,096,720

6. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

For the year ended 31 December 2017	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	17,657	1,776	–	170,198	228,414	–	418,045
Interest income	5,486	547	631	1,523	–	475	8,662
Interest expenses	14,307	24,008	16,133	10,595	–	25,605	90,648
Investment income and gains, net	–	–	–	368,033	–	–	368,033
Amortisation	2,785	24,219	–	–	–	82	27,086
Depreciation	334,584	2,966	1	–	–	671	338,222
Impairment loss/(reversal of impairment loss) on trade receivables	1,023	91	(2)	–	–	–	1,112
Impairment loss on loan and lease receivables	–	–	–	–	–	30,361	30,361
(Reversal of)/Impairment loss on other receivables	(903)	(96)	2	83	–	6	(908)
Impairment loss on available-for-sale financial assets	–	–	–	2,368	–	–	2,368
Impairment loss on inventories	563	–	–	–	–	–	563
Loss on disposal of property, plant and equipment	(11,826)	–	–	–	–	–	(11,826)
Investments in associates	404,233	–	–	2,465,204	2,632,114	–	5,501,551
Addition to non-current assets	434,462	315,322	8	–	–	55	749,847

* Corporate assets consisted of property, plant and equipment, investment property, goodwill, intangible assets, prepayments and other receivables and amount due from an associate for the amounts approximately RMB62.2 million, RMB41.0 million, RMB1.3 million, RMB2.3 million, RMB19.1 million and RMB319.0 million respectively.

\# Corporate liabilities consisted of other payables, salary payables, dividend and interest payable and deferred tax liabilities for the amounts approximately, RMB244.0 million, RMB11.4 million, RMB23.0 million and RMB1.2 million respectively.

(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 year.

7. 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 year.

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers		
Disaggregated by major products or service lines		
Piped gas supply:		
Sale of gas fuel	**3,873,110**	3,679,765
Gas pipeline construction income	**402,561**	409,358
Gas connection income (note 41)	**222,715**	222,149
Sale of related products	**55,300**	76,451
Wastewater treatment:		
Operations income	**264,289**	175,249
Public infrastructure projects:		
Operations income	**15,226**	13,290
Transportation services:		
Transportation services income	**54,501**	–
	4,887,702	4,576,262
Revenue from other sources		
Wastewater treatment:		
Financial income	**15,234**	31,660
Public infrastructure projects:		
Financial income	**33,391**	36,001
Financial services:		
Interest income and related revenue	**1,323**	20,698
Financial leasing related income	**124,726**	77,329
	174,674	165,688
	5,062,376	4,741,950
Timing of revenue recognition		
Goods or services transferred at a point in time	**4,247,200**	
Service transferred over time	**640,502**	
	4,887,702	

7. REVENUE (Continued)

The following table provides information about contract liabilities from contracts with customers.

	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract liabilities (note 43)	**758,127**	779,004

The contract liabilities mainly relate to the advance consideration received from customers for contract work. RMB297,319,000 of the contract liabilities as of 1 January 2018 was recognised as revenue during the year ended 31 December 2018 from performance obligations satisfied in previous year due to the changes in the estimate stage of completion of some infrastructures.

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB758,127,000. This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when the work is completed, which is expected to occur in the next 3 to 36 months.

8. OTHER INCOME AND GAINS

	2018 RMB'000	2017 RMB'000
Bank interest income	**17,666**	21,316
Government grants	**20,759**	12,600
Loss on disposal of property, plant and equipment	**(7,431)**	(11,826)
Rental income	**31,950**	6,665
Others	**7,241**	9,021
	70,185	37,776

9. DISPOSAL OF SUBSIDIARIES

On 31 January 2018, a subsidiary of the Group entered into a share transfer agreement to dispose 50% of its subsidiaries, namely Shanghai Minhang Micro-credit Co., Ltd. ("Dazhong Micro-credit") which were engaged in micro-credit services. The net assets at disposal date was as follows:

Dazhong Micro-credit	**31 January 2018** RMB'000
Property plant and equipment (note 20)	97
Financial assets at fair value through profit or loss	84,104
Loan receivables	118,496
Deferred tax assets (note 31)	5,439
Prepayments and other receivables	1,042
Cash and cash equivalents	2,053
Other current liabilities	(3,953)
Non-controlling interest	(103,639)
	103,639
Loss on disposal of a subsidiary (note 11)	(1,139)
Total consideration	102,500
Total consideration satisfied by:	
Cash received	102,500
Net cash inflow arising on disposal:	
Cash consideration received	102,500
Cash and cash equivalents disposed of	(2,053)
	100,447

The fair value of loan receivables amounted to approximately RMB118,496,000. In the opinion of the directors, no receivable is expected to be uncollectible.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

10. BUSINESS ACQUISITION

Shanghai Dazhong Run Logistics Shares Co., Ltd.

On 29 June 2018, the Group acquired 80% of the equity interest of Shanghai Dazhong Run Logistics Shares Co., Ltd. ("Shanghai Dazhong Run Logistics") and its subsidiary, a group whose principal activity is provision of transportation 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 (note 20)	37,872	
Intangible assets (note 24)	66,158	
Deferred tax assets (note 31)	1,145	
Investment in associate	7,012	
Trade receivables	8,712	
Prepayments and other receivables	27,293	
Cash and cash equivalents	15,809	
Other current assets	11,094	
Trade payables	(596)	
Borrowings	(5,000)	
Other payables	(48,999)	
Deferred tax liabilities (note 31)	(16,421)	104,079
Non-controlling interests		(20,816)
Fair value of net assets acquired		83,263
Cash consideration paid		(96,000)
Goodwill (note 23)		(12,737)
Cash flow:		
Cash payment		96,000
Cash and cash equivalents acquired		(15,809)
Net cash outflow arising from acquisition		80,191

The fair value of trade receivables amounted to approximately RMB8,712,000. In the opinion of the directors, no receivable is expected to be uncollectible.

The goodwill in Shanghai Dazhong Run Logistics and its subsidiary of 12,737,000, 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.

The acquisition-related costs were immaterial, and have been expensed and are included in administrative expenses.

10. BUSINESS ACQUISITION (Continued)

Since the acquisition date, Shanghai Dazhong Run Logistics has contributed RMB54,501,000 and RMB2,872,000 to Group's revenue and profit before tax. If the acquisition had occurred on 1 January 2018, Group's revenue and profit before tax would have been RMB5,110,069,000 and RMB491,798,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations the group would have achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future performance.

11. INVESTMENT INCOME AND GAINS, NET

	2018	2017
	RMB'000	RMB'000
Gain/(loss) on disposal of financial assets, net:		
– Financial assets at fair value through profit or loss	**3,566**	(26,864)
– Financial assets at FVOCI	**482**	–
– Available-for-sale financial assets	**–**	251,253
Loss on disposal of a subsidiary (note 9)	**(1,139)**	–
Gain on partial disposal of equity interest in associates	**19,531**	–
	22,440	224,389
Change in fair value of financial assets at fair value through profit or loss	**54,241**	17,984
Dividend income	**86,655**	125,660
Other financial income	**90**	–
	163,426	368,033

12. FINANCE COSTS

	2018	2017
	RMB'000	RMB'000
Interest on bank borrowings and corporate bonds	**345,618**	264,644
Less: Amounts capitalised (note)	**(1,382)**	(2,091)
	344,236	262,553

Note: Borrowing costs capitalised during the years arose on the general borrowing pool and are calculated by applying capitalisation rates of 4.90% (2017: 5.00%) to expenditure on qualifying assets.

13. EMPLOYEE COMPENSATION COSTS

	2018 **RMB'000**	2017 RMB'000
Wage, salaries and allowances	**405,667**	402,622
Retirement benefit scheme contribution	**100,984**	93,343
Other benefits	**91,817**	85,063
	598,468	581,028

14. PROFIT BEFORE INCOME TAX EXPENSE

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

	2018 **RMB'000**	2017 RMB'000
Inventories recognised as expense	**3,508,451**	2,955,714
Amortisation on payments for leasehold land held for own use under operating leases	**1,234**	2,083
Amortisation on intangible assets (included in administrative expenses and cost of sales)	**50,006**	25,405
Auditor's remuneration	**3,100**	2,700
Depreciation of property, plant and equipment	**354,835**	339,981
Depreciation of investment properties	**2,197**	2,197
Impairment loss on trade and other receivables	**–**	1,112
Impairment loss on loan receivables	**–**	15,408
Impairment loss on lease receivables	**–**	14,953
Write down of inventories	**–**	563
Impairment loss on other receivables	**–**	2,118
Operating lease rental expenses in respect of buildings	**9,841**	10,486
Expected credit losses on financial assets	**31,128**	–

15. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year is disclosed as follows:

For the year ended 31 December 2018	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit plans contributions RMB'000	Total RMB'000
Executive directors:				
Yang Guoping *(Chairman)*	4,481	–	–	4,481
Liang Jiawei	–	4,179	–	4,179
Yu Min	–	3,423	–	3,423
Zhuang Jianhao	–	2,332	–	2,332
Yang Weibiao (note (c))	–	1,780	–	1,780
Non-executive directors:				
Chan Wing Kin (note (e))	–	–	–	–
Li Songhua	–	–	–	–
Cheung Yip Sang (note (e))	–	–	–	–
Independent non-executive directors:				
Wang Kaiguo (note (e))	100	–	–	100
Yao Cho Fai Andrew	100	–	–	100
Chow Siu Lui	100	–	–	100
Wang Hongxiang (note (e))	100	–	–	100
Liu Zhengdong (note (e))	100	–	–	100
Supervisors:				
Zhao Siyuan	–	–	–	–
Yang Jicai (note (d))	–	1,717	–	1,717
Zhao Fei (note (e))	–	1,027	–	1,027
	4,981	14,458	–	19,439

15. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

For the year ended 31 December 2017	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit plans contributions RMB'000	Total RMB'000
Executive directors:				
Yang Guoping *(Chairman)*	1,920	–	–	1,920
Liang Jiawei	–	2,122	–	2,122
Yu Min	–	2,030	–	2,030
Zhuang Jianhao	–	1,534	–	1,534
Zhong Jinxing (note (b))	–	1,930	–	1,930
Yang Jicai (note (d))	–	1,250	–	1,250
Yang Weibiao (note (c))	–	1,240	–	1,240
Non-executive directors:				
Chan Wing Kin (note (e))	–	–	–	–
Li Songhua	–	–	–	–
Cheung Yip Sang (note (e))	–	–	–	–
Independent non-executive directors:				
Wang Kaiguo (note (e))	–	–	–	–
Yao Cho Fai Andrew	100	–	–	100
Chow Siu Lui	100	–	–	100
Wang Hongxiang (note (e))	–	–	–	–
Liu Zhengdong (note (e))	–	–	–	–
Cai Jianmin (note (b))	–	–	–	–
Yan Xuehai (note (a))	–	–	–	–
Supervisors:				
Cao Yongqin (note (b))	100	–	–	100
Zhao Siyuan	300	–	–	300
Yang Jicai (note (d))	–	–	–	–
Zhao Fei (note (e))	–	1,127	–	1,127
	2,520	11,233	–	13,753

Notes:

(a) The Company received a resignation letter from Mr. Yan Xuehai resigning as an independent non-executive Director and the member of the audit committee of the Company due to his health condition on 20 February 2017 and with effect on 25 May 2017.

(b) Resigned in April 2017.

(c) Re-designated from supervisors to executive Director in May 2017.

(d) Re-designated from executive Director to supervisors in May 2017.

(e) Appointed in May 2017.

16. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2017: five) were directors of the Company whose emoluments are included in the disclosures in note 15 above. The remaining two (2017: 0) were senior management whose salary band are disclosed in note 50.

During the year ended 31 December 2018, no emoluments were paid by the Group to any of the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: nil). None of the directors waived emoluments during the year (2017: nil).

17. INCOME TAX EXPENSE

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

	2018 **RMB'000**	2017 RMB'000
PRC enterprise income tax		
– tax for the year	**57,492**	79,866
– under-provision in respect of prior years	**228**	2,289
Hong Kong profits tax		
– tax for the year	**337**	646
Deferred tax (note 31)	**1,541**	(10,960)
Income tax expense	**59,598**	71,841

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% (2017: 16.5%). The profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

17. INCOME TAX EXPENSE (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before income tax expense	**488,926**	627,344
Tax calculated at the PRC statutory rate of 25% (2017: 25%)	**122,231**	156,836
Effect of non-taxable income	**(16,140)**	(22,226)
Effect of non-deductible expenses	**15,619**	3,982
Tax effect of share of results of associates	**(153,440)**	(104,511)
Utilisation of tax losses previously not recognised	**(6,312)**	(3,278)
Tax effect of tax losses not recognised	**104,258**	47,954
Tax effect on changes on fair value of financial assets, impairment loss on assets and timing difference on employee benefits	**7,955**	(212)
Effect of tax exemptions granted to subsidiaries (note)	**(5,982)**	(3,871)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(8,819)**	(5,122)
Under-provision in respect of prior years	**228**	2,289
Income tax expense	**59,598**	71,841

Note: The Ministry of Finance and the State Administration of Taxation promulgated the 'Notice on Printing and Distributing the VAT Concession Catalog for the Comprehensive Utilization of Resources and Services' ([2015] No. 78). Jiangsu Dazhong Water Group Co., Ltd. and some of its subsidiaries enterprises enjoy the VAT rebate policy, and the tax rebate is 70%.

According to the relevant PRC Enterprise Income Tax Law, Xuzhou Jiawang Public Water Operation Co., Ltd. A subsidiary of the Group, was approved by the Xuzhou Country National Tax Authority to enjoy a 100% reduction of enterprise income tax for the years from 2017 to 2020, and a 50% deduction of enterprise income tax for the years from 2020 to 2023.

According to the relevant PRC Enterprise Income Tax Law, Pizhou Fountainhead Water Operation Co., Ltd. A subsidiary of the Group, was approved by the Pizhou Country National Tax Authority to enjoy a 100% deduction of enterprise income tax for the years from 2016 to 2019, and a 50% deduction of enterprise income tax for the years from 2019 to 2022.

According to the relevant PRC Enterprise Income Tax Law, Shanghai Dazhong Jiading Sewage Co. Ltd., a subsidiary of the Group, was approved by the Shanghai distinct 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.

18. DIVIDENDS

	2018 **RMB'000**	2017 RMB'000
Final dividend proposed after the end of the year of RMB0.06 (2017: RMB0.06) per ordinary share	**177,146**	177,146

On 29 March 2019, the board of directors recommended the payment of final dividend of RMB0.06 per share, totalling approximately RMB177,146,000 for the year ended 31 December 2018. The proposed final dividend per share is based on the number of issued shares of the Company (i.e. 2,952,434,675 shares) as of the date of the board meeting (i.e. 29 March 2019) determining the final dividend.

On 29 March 2018, the board of directors recommended the payment of final dividend of RMB0.06 per share, totalling approximately RMB177,146,000 for the year ended 31 December 2017. The proposed final dividend per share is based on the number of issued shares of the Company (i.e. 2,952,434,675 shares) as of the date of the board meeting (i.e. 29 March 2018) determining the final dividend. The final dividend of the year ended 31 December 2017 were paid on 16 July 2018.

The final dividend proposed after the end of the year is subject to shareholders' approval in the forthcoming annual general meeting. The proposed dividends are not reflected as a dividend payable in the financial statements at the end of each year.

For non-residents shareholders, under the PRC Enterprises Income Tax Law, dividends paid by the Company are ordinarily subject to PRC enterprise income tax at a withholding tax rate of 10% which would deduct directly from dividends.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

19. 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:

	2018	2017
Earnings		
Earnings for the purposes of basic and diluted earnings per share (RMB'000)	**478,489**	474,133
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,952,434,675**	2,951,208,456

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 converted from the Company's A shares were 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 31 December 2017, the Company has 533,643,000 H Shares and 2,418,791,675 A shares respectively. During the year ended 31 December 2018, there was no change in number of ordinary shares.

The weighted average number of ordinary shares for the purposes of basic earnings per share has been adjusted for the over-allotment during the year ended 31 December 2017.

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.

20. PROPERTY, PLANT AND EQUIPMENT

	Building 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
Cost							
At 1 January 2017	153,922	15,980	60,811	6,568,829	50,567	536,263	7,386,372
Additions#	282	69	1,343	1,775	866	669,262	673,597
Acquired through business combination	–	707	123	–	–	10,599	11,429
Transfer of construction in progress	3,815	–	5,143	416,264	7,559	(432,781)	–
Disposals	(1,800)	(4,029)	(3,945)	(24,339)	(9,976)	–	(44,089)
At 31 December 2017 and 1 January 2018	156,219	12,727	63,475	6,962,529	49,016	783,343	8,027,309
Additions#	143	5,923	5,376	10,360	5,461	240,939	268,202
Transfer of construction in progress	217,497	–	4,526	386,200	5,060	(613,296)	–
Acquired through business combination	–	–	37,499	–	373	–	37,872
Disposal of subsidiaries	–	–	–	–	(434)	–	(434)
Disposals	–	(2,536)	(11,861)	(27,721)	(6,909)	–	(49,027)
At 31 December 2018	373,859	16,114	99,015	7,331,368	52,567	410,986	8,283,909
Accumulated depreciation and impairment							
At 1 January 2017	66,050	11,212	24,968	2,659,426	34,256	–	2,795,912
Charge for the year	4,955	2,036	5,634	321,880	5,471	–	339,981
Written back on disposals	(1,050)	(4,029)	(3,138)	(12,774)	(9,556)	–	(30,547)
At 31 December 2017 and 1 January 2018	69,955	9,219	27,464	2,968,537	30,171	–	3,105,346
Charge for the year	7,395	2,356	12,666	327,380	5,038	–	354,835
Disposal of subsidiaries	–	–	–	–	(337)	–	(337)
Written back on disposals	–	(2,071)	(10,292)	(16,349)	(6,502)	–	(35,214)
At 31 December 2018	77,350	9,504	29,838	3,279,568	28,370	–	3,424,630
Net book value							
At 31 December 2018	296,509	6,610	69,177	4,051,800	24,197	410,986	4,859,279
At 31 December 2017	86,264	3,508	36,011	3,993,992	18,845	783,343	4,921,963

\# Including borrowing costs of approximately RMB1,382,000 (2017: RMB2,091,000) capitalised during the year ended 31 December 2018 (note 12).

As at 31 December 2018, the Group had certain buildings which did not have proper property certificates for the carrying amount of approximately RMB129,218,000 (2017: RMB12,588,000). The directors do not expect any restriction to continue the use of these properties.

21. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

Changes to the carrying amounts presented in the consolidated statement of financial position are summarised as follows:

	RMB'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	99,400
Accumulated depreciation	
At 1 January 2017	34,452
Charge for the year	2,197
At 31 December 2017 and 1 January 2018	36,649
Charge for the year	2,197
At 31 December 2018	38,846
Net book value	
At 31 December 2018	60,554
At 31 December 2017	62,751
Fair value	
At 31 December 2018	345,298
At 31 December 2017	341,660

The estimated useful life of the Group's investment properties is 50 years until March 2049. Fair value of the investment properties has been determined on market value basis by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

The fair value disclosed are categorised as Level 3 valuation. The valuation technique is direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. The highest and best use of the investment properties of the Group does not differ from its current use.

21. INVESTMENT PROPERTIES (Continued)

As at 31 December 2017 and 2018, the Group had certain investment properties which did not have proper property certificates for the carrying amount of RMB2,947,000 (2017: RMB3,096,000). The directors do not expect any restriction to continue the use of these properties.

22. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	RMB'000
Cost	
At 1 January 2017	86,344
Additions	3,746
At 31 December 2017 and 1 January 2018	90,090
Additions	55
At 31 December 2018	90,145
Accumulated amortisation	
At 1 January 2017	16,923
Charge for the year	2,083
At 31 December 2017 and 1 January 2018	19,006
Charge for the year	1,234
At 31 December 2018	20,240
Net book value	
At 31 December 2018	69,905
At 31 December 2017	71,084

23. GOODWILL

	RMB'000
As at 1 January 2017, 31 December 2017 and 1 January 2018	1,312
Acquired through business combination (note 10)	12,737
As at 31 December 2018	14,049

Goodwill acquired through business combinations is allocated to the cash generating units ("CGU") namely Dazhong Transportation Commerce cash generating unit ("Dazhong Transportation Commerce CGU") of RMB1,312,000 and Dazhong Run Logistics cash generating unit ("Dazhong Run Logistics CGU") of RMB12,737,000 for impairment testing.

The recoverable amounts of the above CGUs are determined from value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, budgeted gross margin and turnover during the period. Cash flows beyond the five year period are extrapolated using an estimated weighted average growth rate 3% to Dazhong Transportation Commerce CGU and 3% to Dazhong Run Logistics CGU. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these CGU. The growth rates, budgeted gross margin and turnover are determined based on the past performance and management's expectation of market development. The rate used to discount the forecast cash flows for Dazhong Transportation Commerce CGU and Dazhong Run Logistics CGU is 16% and 16% per annum.

24. INTANGIBLE ASSETS

	Wastewater treatment concession rights (note a) RMB'000	Cargo rental license (note b) RMB'000	Computer software RMB'000	Technical knowhow RMB'000	Total RMB'000
Cost					
At 1 January 2017	433,306	–	10,590	5,646	449,542
Acquired through business combination	60,951	–	–	–	60,951
Additions	181,452	–	6,393	–	187,845
At 31 December 2017 and 1 January 2018	675,709	–	16,983	5,646	698,338
Acquisition through business combination (note 10)	–	65,686	472	–	66,158
Additions	345,673	–	6,207	–	351,880
At 31 December 2018	1,021,382	65,686	23,662	5,646	1,116,376
Accumulated amortization and impairment					
At 1 January 2017	76,717	–	5,683	5,646	88,046
Charge for the year	23,702	–	1,703	–	25,405
At 31 December 2017 and 1 January 2018	100,419	–	7,386	5,646	113,451
Charge for the year	47,211	–	2,795	–	50,006
At 31 December 2018	147,630	–	10,181	5,646	163,456
Net book value					
At 31 December 2018	873,752	65,686	13,481	–	952,919
At 31 December 2017	575,290	–	9,597	–	584,887

24. INTANGIBLE ASSETS (Continued)

As at 31 December 2017, the Group has pledged the receivables from the concession rights for the bank loans in note 37.

Note:

(a) 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 seven wastewater treatment plants located in different cities in the PRC, namely Jiading, Sanbahe, Xuzhou Jiawang, Peixian, Pizhou and Lianyungang. Except for the wastewater plant in Pizhou which is operated under TOT arrangement, the rest are operated under 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 grantors. 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 grantors or any grantors 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 grantors 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 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 fulfils 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 right of the above TOT arrangement is recognised as "intangible assets" in the consolidated financial statements.

No advance payments were made to the grantors for getting the above BOT and TOT arrangements.

(b) The Intangible assets of RMB65,686,000 represent 938 cargo rental licenses for BH-plated vehicles, 7 cargo rental licenses for dangerous goods vehicles and 11 cargo rental licenses for light vehicles, all these license are with infinitive useful lives.

25. INTERESTS IN SUBSIDIARIES

	2018 RMB'000	2017 RMB'000
Investment in subsidiaries – Unlisted shares, at cost (note 48)	**4,567,713**	3,412,199

During the year, the amounts due from/(to) subsidiaries were unsecured, repayable on demand and interest-free.

Details of the Company's subsidiaries as at 31 December 2018 are as follows:

Name of company	Date and place of incorporation/registration and place of operations	Registered and paid up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
上海大眾燃氣有限公司[(1)(5)] Shanghai Dazhong Gas	3 January 2001 PRC/PRC	RMB10,000,000,000	50	–	Piped gas supply
上海市南燃氣發展有限公司[(1)] Shanghai South Gas Development Co., Ltd. ("Shanghai South Gas")	18 April 2001 PRC/PRC	RMB8,500,000	–	100	Construction and installation of gas pipelines
上海大眾燃氣投資發展有限公司[(1)] Shanghai Dazhong Gas Investment Developing Co., Ltd. ("Shanghai Dazhong Gas Investment")	14 August 2003 PRC/PRC	RMB107,100,000	100	–	Investment holdings
南通大眾燃氣有限公司[(1)] Nantong Dazhong Gas	11 December 2003 PRC/PRC	RMB280,000,000	–	50	Piped gas supply
南通大眾燃氣設備有限公司[(1)] Nantong Dazhong Gas Equipment Co., Ltd. ("Nantong Gas Equipment")	28 April 2004 PRC/PRC	RMB1,000,000	–	80	Sale of gas related products
南通大眾燃氣安裝工程有限公司[(1)] Nantong Dazhong Gas Installation Engineering Co., Ltd. ("Nantong gas Installation")	25 May 1990 PRC/PRC	RMB20,000,000	–	100	Distribution and sale of piped natural gas
如東大眾燃氣有限公司[(1)] Rudong Dazhong Gas Co., Ltd. ("Rudong Dazhong Gas")	8 February 2006 PRC/PRC	RMB20,500,000	–	70	Distribution and sale of piped natural gas

25. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/registration and place of operations	Registered and paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
南通開發區大眾燃氣有限公司[1] Nantong Developing Zone Dazhong Gas Co., Ltd. ("Nantong Development Zone Gas")	5 February 2007 PRC/PRC	RMB50,000,000	–	100	Distribution and sale of piped natural gas
江蘇大眾水務集團有限公司[1] Jiangsu Dazhong Water Group Co., Ltd. ("Jiangsu Dazhong Water")	4 April 1995 PRC/PRC	RMB50,000,000	–	80	Wastewater treatment operations
邳州源泉水務運營有限公司[1][4] Pizhou Fountainhead Water Operation Co., Ltd.	2 December 2004 PRC/PRC	RMB4,800,000	–	100	Wastewater treatment operations
徐州源泉污水處理有限公司[1][4] Xuzhou Fountainhead Sewage Co., Ltd.	19 December 2007 PRC/PRC	RMB5,800,000	–	100	Wastewater treatment operations
上海大眾市政發展有限公司[1] Shanghai Dazhong Municipal Development Co., Ltd.	15 September 2003 PRC/PRC	RMB120,000,000	100	–	Municipal road operations
杭州蕭山錢塘污水處理有限公司[1] Hangzhou Xiaoshan Qiantang Sewage Co., Ltd.	11 February 2004 PRC/PRC	RMB190,050,000	–	90	Wastewater treatment operations
上海大眾嘉定污水處理有限公司[1] Shanghai Dazhong Jiading Sewage Co., Ltd.	17 March 2006 PRC/PRC	RMB200,000,000	10	90	Wastewater treatment operations
沛縣源泉水務運營有限公司[1] Peixian Fountainhead Water Operation Co., Ltd.	24 April 2007 PRC/PRC	RMB5,800,000	–	100	Wastewater treatment operations
連雲港西湖污水處理有限公司[1] Lianyungang West Lake Sewage Co., Ltd.	27 December 2007 PRC/PRC	RMB5,800,000	–	100	Wastewater treatment operations
徐州大眾水務運營有限公司[1] Xuzhou Dazhong Water Operation Co., Ltd.	12 April 2010 PRC/PRC	RMB38,000,000	–	100	Wastewater treatment operations

25. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/registration and place of operations	Registered and paid up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
上海翔殷路隧道建設發展有限公司[(1)] Shanghai Xiangyin Road Tunnel Construction Development Co., Ltd.	24 September 2003 PRC/PRC	RMB285,000,000	87.16	12.84	Public infrastructure Projects
海南大眾海洋產業有限公司[(1)] Hainan Dazhong Ocean Industry Co., Ltd.	4 June 1998 PRC/PRC	RMB30,000,000	100	–	Ocean business
上海衛銘生化股份有限公司[(1)] Shanghai Weiming Biochemistry Co., Ltd.	18 December 1992 PRC/PRC	RMB75,600,000	–	87.67	Agriculture development
大眾(香港)國際有限公司 Dazhong (Hong Kong) International Corporation Limited ("Dazhong Hong Kong")	10 November 2008 Hong Kong/Hong Kong	United States Dollar ("USD") 10,500,000	95.24	4.76	Investment business
上海大眾集團資本股權投資有限公司[(1)] Shanghai Dazhong Group Capital Equity Investment Co., Ltd.	22 April 2010 PRC/PRC	RMB500,000,000	99	1	Investment business
上海大眾交通商務有限公司[(1)] Shanghai Dazhong Transportation Commerce ("Transportation Commerce")	25 June 2008 PRC/PRC	RMB100,000,000	100	–	Payment services
Fretum Construction & Engineering Enterprise Limited ("FCEEL")	17 September 2012 Hong Kong/Hong Kong	USD3,000,000	–	100	Investment business
Galaxy Building & Development Corporation Limited ("GBDCL")	17 September 2012 Hong Kong/Hong Kong	USD3,000,000	–	100	Investment business
Ace Best Investing Management Corporation Limited ("ABIMCL")	17 September 2012 Hong Kong/Hong Kong	USD5,000,000	–	100	Investment business
瓊海春盛旅遊發展有限公司[(1)] Qionghai Chunsheng Travel Development Co., Ltd.	8 January 2014 PRC/PRC	RMB5,500,000	100	–	Financial consultant

25. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/registration and place of operations	Registered and paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
上海大眾資產管理有限公司[1] Shanghai Dazhong Assets Management Co., Ltd.	8 August 2014 PRC/PRC	RMB500,000,000	100	–	Assets management
上海大眾融資租賃有限公司[1][4] Shanghai Dazhong Financial Leasing Co., Ltd. ("Shanghai Dazhong Financial Leasing")	19 September 2014 PRC/PRC	RMB500,000,000	55	25	Financial leasing
上海大眾環境產業有限公司[1] Shanghai Dazhong Environment Industry Co., Ltd.	14 July 2003 PRC/PRC	RMB252,000,000	88.97	11.03	Investment holdings
Interstellar Capital Investment Co., Limited	19 December 2014 Hong Kong/Hong Kong	USD10,000,000	–	100	Investment holding
眾銀(國際)金融服務有限公司[6] Allpay (International) Finance Service Corporation Limited	8 April 2016 Hong Kong/Hong Kong	HKD50,000,000	–	100	Payment service
上海眾貢信息服務有限公司[1] Shanghai Zhonggong Information Service Co., Ltd.	12 July 2016 PRC/PRC	RMB10,000,000	100	–	Consultant service
海南春茂生態農業發展有限公司 Hainan Chunmao Ecological Agriculture Development Co., Ltd.	4 August 2016 PRC/PRC	RMB2,000,000	–	70	Agriculture development
Platinum Capital Investment Limited[2]	31 July 2017 Cayman Islands/ Cayman Islands	USD1	–	100	Investment holding
Dazhong (Vietnam) International Company Limited[3]	22 December 2017 Vietnam/Vietnam	USD5,000,000	–	100	Investment holding
上海煤氣物資供銷公司[1] Shanghai Gas Material Supply & Marketing Cooperatives Company	14 January 1992 PRC/PRC	RMB20,000,000	–	100	Dormant

25. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/registration and place of operations	Registered and paid up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
徐州市賈汪大眾水務運營有限公司[1] Xuzhou Jiawang Dazhong Water Operation Co., Ltd.	19 December 2016 PRC/PRC	RMB7,000,000	–	100	Waste water treatment operation
Century Charm Limited[7]	9 March 2018 Cayman Islands	USD100	–	100	Investment holding
Ultra Partner Limited[7]	28 February 2018 Cayman Islands/ Cayman Islands	USD100	–	100	Investment holding
徐州青山泉大眾水務運營有限公司[1][8] Xuzhou Qingshanquan Dazhong Water Operation Co., Ltd.	2 June 2018 PRC/PRC	RMB10,000,000	–	100	Wastewater treatment operations
上海大眾運行物流股份有限公司[1][9] Shanghai Dazhong Run Logistics Shares Co., Ltd.	19 March 1999 PRC/PRC	RMB24,000,000	80	–	Transportation, storage and postal
上海大眾運行供應鏈管理有限公司[1][10] Shanghai Dazhong Run Supply Chain Management Co., Ltd.	13 August 2002 PRC/PRC	RMB38,070,000	–	100	Transportation, storage and postal
上海儒馭能源投資有限公司[1][11] Shanghai Ruyu Energy Investment Co., Ltd. ("Ruyu Energy")	16 November 2015 PRC/PRC	RMB56,100,000	100	–	Scientific research and technological services

25. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

1. The English names of the subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

2. During the year ended 31 December 2017, the Group has incorporated a subsidiary in Cayman Islands with the registered capital of USD1.

3. During the year ended 31 December 2017, the Group has incorporated a subsidiary in Vietnam with the registered capital of USD5,000,000. As at 31 December 2017, the registered capital of this subsidiary was not yet paid-up.

4. During the year ended 31 December 2017, the Company has further acquired 15% equity shares of Shanghai Dazhong Financial Leasing and after completion of the share transfer, the Group holds 80% of its shares.

5. During the year ended 31 December 2017, Shanghai Dazhong Gas increased registered capital by RMB200,000,000, which RMB100,000,000 was paid-up as at 31 December 2017, and the balance of RMB100,000,000 was fully paid-up during the year ended 31 December 2018.

6. During the year ended 31 December 2017, Dazhong Hong Kong acquired remaining 40% equity interest of Allpay (International) and increase its registered capital to HKD50,000,000.

7. During the year ended 31 December 2018, the Group has incorporated a subsidiary in Cayman Islands with the registered capital of USD100.

8. During the year ended 31 December 2018, the Group has incorporated a subsidiary in PRC with the registered capital of RMB10,000,000.

9. During the year ended 31 December 2018, the Group has acquired 100% equity shares of a subsidiary in PRC with the registered capital of RMB24,000,000.

10. During the year ended 31 December 2018, the Group has acquired 100% equity shares of a subsidiary in PRC with the registered capital of RMB38,070,000.

11. During the year ended 31 December 2018, the Group has acquired 100% equity shares of a subsidiary in PRC with the registered capital of RMB56,100,000.

12. During the year ended 31 December 2018, the Group has disposed its 100% equity interest in Shanghai Minhang Dazhong Micro-credit Co., Ltd.

As at 31 December 2018, Shanghai Dazhong Gas (a 50% owned subsidiary of the Company), Nantong Dazhong Gas (a 50% owned subsidiary of the Company) and Shanghai Dazhong Financial Leasing (a 80% owned subsidiary of the Company) have material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

25. INTERESTS IN SUBSIDIARIES (Continued)

Summarised financial information in relation to the significant non-controlling interest before intra-group elimination is presented below:

Shanghai Dazhong Gas

	2018 RMB'000	2017 RMB'000
Revenue	**3,669,193**	3,634,647
(Loss)/profit for the year	**(175,849)**	93,894
Total comprehensive income for the year	**(175,601)**	95,871
(Loss)/profit allocated to NCI	**(90,395)**	44,063
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**143,301**	354,148
Cash flows used in investing activities	**(399,095)**	(421,496)
Cash flows from financing activities	**283,091**	88,364
Net cash inflows	**27,297**	21,016

	2018 RMB'000	2017 RMB'000
Current assets	**968,639**	819,005
Non-current assets	**4,057,569**	3,651,847
Current liabilities	**(2,914,516)**	(2,545,530)
Non-current liabilities	**(668,263)**	(630,150)
Net assets	**1,443,429**	1,295,172
Accumulated NCI	**718,743**	647,208

25. INTERESTS IN SUBSIDIARIES (Continued)

Nantong Dazhong Gas

	2018 RMB'000	2017 RMB'000
Revenue	**931,130**	753,076
Profit for the year	**52,775**	64,170
Total comprehensive income for the year	**52,775**	48,639
Profit allocated to NCI	**28,047**	23,557
Dividends paid to NCI	**(20,338)**	(17,500)
Cash flows from operating activities	**118,230**	125,069
Cash flows used in investing activities	**(102,798)**	(122,722)
Cash flows used in financing activities	**(40,379)**	(40,549)
Net cash outflows	**(24,947)**	(38,202)

	2018 RMB'000	2017 RMB'000
Current assets	**328,549**	358,822
Non-current assets	**1,208,601**	1,120,819
Current liabilities	**(463,438)**	(431,122)
Non-current liabilities	**(657,887)**	(645,983)
Net assets	**415,825**	402,536
Accumulated NCI	**217,206**	200,251

25. INTERESTS IN SUBSIDIARIES (Continued)

Shanghai Dazhong Financial Leasing

	2018 RMB'000	2017 RMB'000
Revenue	**139,306**	77,329
Profit for the year	**40,023**	36,950
Total comprehensive income for the year	**40,023**	30,247
Profit allocated to NCI	**8,005**	8,978
Dividend paid to NCI	**(5,600)**	(17,500)
Cash flows from operating activities	**129,293**	53,769
Cash flows used in investing activities	**(316,554)**	(492,891)
Cash flows from financing activities	**149,021**	391,083
Net cash outflows	**(38,240)**	(48,039)

	2018 RMB'000	2017 RMB'000
Current assets	**1,245,198**	1,000,443
Non-current assets	**963,157**	901,434
Current liabilities	**(809,851)**	(609,313)
Non-current liabilities	**(858,786)**	(754,937)
Net assets	**539,718**	537,627
Accumulated NCI	**107,944**	107,525

26. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**6,037,494**	5,259,680
Goodwill	**1,058,735**	241,871
	7,096,229	5,501,551

The amount due from an associate represented a temporary loan of RMB318,996,000 to Shanghai Shi He Industrial Co., Ltd as at 31 December 2017. The associate is disposed during the year ended 31 December 2018. The amount was unsecured and non-interest-bearing and repayable on demand.

(a) Details of the Group's associates as at 31 December 2018 are as follows:

Name of company	Date and place of incorporation/ registration and place of operations	Registered and paid up capital (RMB)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
大眾交通(集團)股份有限公司[(1)(3)] Dazhong Transportation (Group) Co., Ltd. ("Dazhong Transportation Group")	24 December 1988 PRC/PRC	2,364,122,864	20.02	6.76	Public transportation
深圳市創新投資集團有限公司[(1)(2)] Shenzhen Capital Group Co., Ltd. ("Shenzhen Capital Group")	26 August 1999 PRC/PRC	5,420,901,882	12.80	–	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[(1)(2)] Shanghai Electronic Intelligence System Co., Ltd. ("SEISYS")	12 December 2007 PRC/PRC	200,000,000	16.63	–	Provision of products and services for smart transportation solution
上海興燁創業投資有限公司[(1)] Shanghai Xingye Venture Capital Co., Ltd. ("Xingye Venture Capital")	4 June 2008 PRC/PRC	40,000,000	20.00	–	Investment business
上海徐匯昂立小額貸款股份有限公司[(1)] Shanghai Xuhui Onlly Micro-credit Co., Ltd. ("Xuhui Onlly Micro-credit")	3 November 2012 PRC/PRC	150,000,000	20.00	–	Micro-credit services

26. INVESTMENTS IN ASSOCIATES (Continued)

(a) Details of the Group's associates as at 31 December 2018 are as follows: (Continued)

Name of company	Date and place of incorporation/ registration and place of operations	Registered and paid up capital (RMB)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
蘇創燃氣股份有限公司[2] Suchuang Gas Co., Ltd. ("Suchuang Gas")	4 July 2013 Cayman Islands/ PRC	50,000,000	–	19.31	Sale of gas, provision of gas transmission and gas pipelines construction and installation
上海華燦股權投資基金合夥[1][4][5] Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership)	10 March 2017 PRC/PRC	830,000,000	49.02	–	Investment fund
翠微網絡科技(上海)有限公司[1][7] Cuiwei Network Technology (Shanghai) Co., Ltd.	24 September 2015 PRC/PRC	8,571,429	–	20.00	Scientific research and technological services
上海慧冉投資有限公司[1][8] Shanghai Huiran Investment Co., Ltd. ("Huiran")	6 November 2015 PRC/PRC	55,400,000	49.00	–	Leasing and commercial service
江陰天力燃氣有限公司[1][9] Jiangyin Tianli Gas Co., Ltd. ("Jiangyin")	12 May 1995 PRC/PRC	119,500,000	–	25.00	Production and supply of electricity, heat, gas and water
江陰升宏達股權投資企業(有限合夥)[1][10] Jiangyin Shenghongda Equity Investment Corporation (Limited Partnership)	30 July 2014 PRC/PRC	25,000,000	–	49.00	Leasing and commercial service
Vietnam Investment Securities Company[11]	23 August 2007 Vietnam/Vietnam	VND340,000,000,000	–	24.51	Investment business

26. INVESTMENTS IN ASSOCIATES (Continued)

(a) Details of the Group's associates as at 31 December 2018 are as follows: (Continued)

Notes:

1. 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.

2. During the year, 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. Please refer to note 5(a) for basis of conclusion.

3. During the year, the Group acquired additional equity interests of 0.07% (2017: 0.95%) in Dazhong Transportation Group.

4. During the year ended 31 December 2017, the Company entered into a Partnership agreement to set up a fund for investing purpose, in which the Company held 60.24% equity interest of the partnership fund. However, Limited Partner is restricted to participate in any investing and operating activities and thus the Company has no controlling power over this investment fund. The power and operating authority were delegated to General Partner. Thus, the Company considered that it only has significant influence on this partnership fund and classified this limited partnership as an associate.

5. On 21 March 2017, the Company paid the initial investment amount of RMB500 million. On 14 July 2017, the Company entered into a Share Transfer Agreement and a supplementary agreement with Shanghai Dazhong Business Management Co., Ltd. The Company transferred its corresponding rights and obligations of capital injection of RMB300 million to Shanghai Dazhong Business Management Co., Ltd., and thereafter, the Company holds 49.02% of equity interest of the Huacan Fund.

6. During the year, the Group disposed its equity interest in Shanghai Hangxin Investment Management Company Limited and Shanghai Shi He Industrial Co., Ltd. (Limited Partnership).

7. During the year, the Group acquired equity interest of 20% in 翠微網絡科技(上海)有限公司 through its subsidiary, Shanghai Dazhong Run Logistics Shares Co., Limited.

8. During the year, the Group acquired equity interest of 49% in Huiran.

9. During the year, the Group acquired equity interest of 25% in Jiangyin Tianli Gas Co., Ltd. through its subsidiary, Ruyu Energy and its associate for total consideration of RMB1,077,961,000.

10. During the year, the Group acquired equity interest of 24.01% in Jiangyin Shenghongda Equity Investment Corporation (Limited Partnership) through its associate, Huiran.

11. During the year, the Group acquired equity interest of 24.51% in Vietnam Investment Securities Company through its subsidiary, Dazhong (Vietnam) International Company Limited.

26. INVESTMENTS IN ASSOCIATES (Continued)

(b) Summarised financial information (material associates)

(i) Dazhong Transportation Group

	2018 RMB'000	2017 RMB'000
Revenue	**3,556,994**	2,558,616
Profit from continuing operations	**938,756**	927,289
Other comprehensive income	**(1,070,700)**	(496,169)
Total comprehensive income	**(131,944)**	431,120
Dividend received from the associate	**74,737**	45,133
Current assets	**7,307,210**	6,281,938
Non-current assets	**8,203,657**	9,557,367
Current liabilities	**(5,026,011)**	(5,177,538)
Non-current liabilities	**(1,316,028)**	(902,153)
Net assets	**9,168,828**	9,759,614
Reconciliation to the Group's interests in the associate:		
Proportion of the Group's ownership	**26.78%**	26.71%
Group's share of net assets of the associate	**2,367,938**	2,531,078
Goodwill	**121,116**	118,884
Elimination of unrealised profit	**(17,848)**	(17,848)
Carrying amount of the associate	**2,471,206**	2,632,114
Fair value of the Group's investment based on quoted market price	**2,381,389**	3,040,372

26. INVESTMENTS IN ASSOCIATES (Continued)

(b) Summarised financial information (material associates) (Continued)

(ii) Shenzhen Capital Group

	2018	2017
	RMB'000	RMB'000
Revenue	**1,624,012**	1,006,913
Profit from continuing operations	**1,794,312**	1,311,845
Other comprehensive income	**–**	130,161
Total comprehensive income	**1,794,312**	1,442,006
Dividends received from the associate	**64,398**	64,398
Current assets	**6,522,419**	4,340,482
Non-current assets	**23,465,692**	21,882,773
Current liabilities	**(10,161,119)**	(9,192,434)
Non-current liabilities	**(4,591,588)**	(3,512,376)
Net assets	**15,235,404**	13,518,445
Reconciliation to the Group's interests in the associate:		
Proportion of the Group's ownership	**12.80%**	13.93%
Group's share of net assets of the associate	**1,755,037**	1,709,666
Carrying amount of the associate	**1,755,037**	1,709,666

26. INVESTMENTS IN ASSOCIATES (Continued)

(b) Summarised financial information (material associates) (Continued)

(iii) Jiangyin

	22 May 2018 (Date of incorporation) to 31 December 2018 RMB'000
Revenue	**1,684,260**
Profit from continuing operations	**165,991**
Other comprehensive income	**–**
Total comprehensive income	**165,991**
Dividends received from the associate	**84,870**

	2018 RMB'000
Current assets	**617,904**
Non-current assets	**2,147,258**
Current liabilities	**(605,516)**
Non-current liabilities	**(973,183)**
Net assets	**1,186,463**
Reconciliation to the Group's interests in the associate:	
Proportion of the Group's ownership	**25.00%**
Group's share of net assets of the associate	**296,616**
Goodwill	**816,864**
Carrying amount of the associate	**1,113,480**

(c) Summarised financial information (immaterial associates)

	2018 RMB'000	2017 RMB'000
Share of the associates' profit from continuing operations	**125,365**	26,661

	2018 RMB'000	2017 RMB'000
Carrying amount of individually immaterial associates in the consolidated statement of financial position	**1,756,506**	1,159,771

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 **RMB'000**	2017 RMB'000
Non-current investments		
– Listed debt investments	–	11,743
– Listed equity investments	–	121,698
– Unlisted equity investments	–	817,402
	–	950,843
Less: Allowance for impairment losses	–	(57,599)
	–	893,244
Current investments		
– Investment-linked deposits*	–	175,000

* 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 costs of these deposits approximate to their fair value, given that these deposits were with guaranteed rates of return and short maturities of within 3 months generally.

Note:

During the year ended 31 December 2017, 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 reporting period. The Group assessed, at the end of the year, 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 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, which indicates that the cost of the investments might not be recovered. When objective evidence indicated 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.

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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 reporting period.

During the year ended 31 December 2017, the Group held, directly or indirectly through its subsidiaries, 20% or more of the voting rights of certain entities now 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. Please refer to note 5(a) for basis of conclusion.

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Please refer to Note 2.

28. TRADE AND BILLS RECEIVABLE

	2018 RMB'000	2017 RMB'000
Trade and bills receivable		
– Trade receivables	**457,240**	327,623
– Bills receivable	**400**	–
	457,640	327,623
Less: Allowance for impairment losses	**(31,201)**	(20,974)
Current portion	**426,439**	306,649
Non-current: retention sum for construction contracts	**145,525**	149,445
	571,964	456,094

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 31 December 2018 represented 36.66% (2017: 24.51%) of total trade receivables, while 29.42% (2017: 14.28%) of the total receivables were due from the largest debtor.

28. TRADE AND BILLS RECEIVABLE (Continued)

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

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**414,059**	297,561
1 to 2 years	**19,171**	6,915
2 to 3 years	**3,618**	3,415
3 to 4 years	**2,405**	2,146
4 to 5 years	**1,724**	1,837
Over 5 years	**16,663**	15,749
	457,640	327,623
Less: Allowance for impairment losses	**(31,201)**	(20,974)
	426,439	306,649

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

	2018 **RMB'000**	2017 RMB'000
Neither past due nor impaired	**272,100**	290,459
Within 1 year past due	**134,815**	4,126
1 to 2 years past due	**16,141**	6,570
2 to 3 years past due	**1,990**	3,073
3 to 4 years past due	**962**	1,502
4 to 5 years past due	**431**	919
	426,439	306,649

28. TRADE AND BILLS RECEIVABLE (Continued)

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 31 December 2018 and 2017, retention receivables are neither past due nor impaired.

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 2(a)A(ii).

Further details on the group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 52. The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 December 2018, the Group has pledged the trade receivable of approximately RMB94,910,000 (2017: RMB166,926,000) for borrowings (note 37).

The table below reconciles the impairment loss of trade receivables during the year:

	2018 **RMB'000**	2017 RMB'000
At beginning of the year under IAS 39	**20,974**	19,862
Impact of initial application of IFRS 9	**2,938**	–
Adjusted balance at beginning of the year	**23,912**	19,862
Impairment loss recognised	**7,289**	1,112
At end of the year	**31,201**	20,974

The details of ECL assessment on trade and bills receivable are disclosed in note 52.

29. LEASE RECEIVABLES

As 31 December 2018, 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**	**Machinery** **RMB'000**	**Solar equipment** **RMB'000**	**Hotel equipment** **RMB'000**	**Total** **RMB'000**
Lease receivables	**104,644**	**1,670,834**	**204,085**	**–**	**1,979,563**
Less: Unearned finance income	**(6,706)**	**(150,623)**	**(7,728)**	**–**	**(165,057)**
Less: Allowance for impairment loss	**(979)**	**(15,369)**	**(12,301)**	**–**	**(28,649)**
At 31 December	**96,959**	**1,504,842**	**184,056**	**–**	**1,785,857**

29. LEASE RECEIVABLES (Continued)

An aged analysis of lease receivables as at 31 December 2018, determined based on the age of the receivables since the effective dates of the relevant lease contracts, is as follows:

	Lease receivables RMB'000	Unearned finance income RMB'000	Allowance for impairment loss RMB'000	Net lease receivables RMB'000
Within 1 year	**1,023,163**	**(106,176)**	**(19,673)**	**897,314**
1 to 2 years	**848,294**	**(51,025)**	**(7,973)**	**789,296**
2 to 3 years	**103,371**	**(7,673)**	**(957)**	**94,741**
3 to 4 years	**4,735**	**(183)**	**(46)**	**4,506**
4 to 5 years	**–**	**–**	**–**	**–**
	1,979,563	**(165,057)**	**(28,649)**	**1,785,857**
Less: Non-current portion	**(956,400)**	**58,881**	**8,976**	**(888,543)**
Current portion	**1,023,163**	**(106,176)**	**(19,673)**	**897,314**

As 31 December 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	Machinery RMB'000	Solar equipment RMB'000	Hotel equipment RMB'000	Total RMB'000
Lease receivables	34,900	1,195,625	212,708	66,815	1,510,048
Less: Unearned finance income	(1,993)	(129,385)	(9,908)	(4,556)	(145,842)
Less: Allowance for impairment loss	–	(332)	–	(14,621)	(14,953)
At 31 December	32,907	1,065,908	202,800	47,638	1,349,253

29. LEASE RECEIVABLES (Continued)

An aged analysis of lease receivables as at 31 December 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	Unearned finance income RMB'000	Allowance for impairment loss RMB'000	Net lease receivables RMB'000
Within 1 year	718,585	(85,553)	(12,801)	620,231
1 to 2 years	443,808	(42,871)	(2,152)	398,785
2 to 3 years	279,052	(14,962)	–	264,090
3 to 4 years	65,789	(2,437)	–	63,352
4 to 5 years	2,813	(18)	–	2,795
	1,510,047	(145,841)	(14,953)	1,349,253
Less: Non-current portion	(791,462)	60,288	2,152	(729,022)
Current portion	718,585	(85,553)	(12,801)	620,231

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 the end of the reporting period 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 RMB2,646,259,280 (2017: RMB2,291,662,087).

There was increase of RMB23,432,000 in the impairment loss allowance on lease receivables during the year ended 31 December 2018, and the increase in loss allowance upon the transition to IFRS 9 as of 1 January 2018 was RMB13,242,000.

30. AMOUNT DUE FROM GRANTOR

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

	2018	2017
	RMB'000	RMB'000
Due within 1 year	**38,649**	36,698
Non-current portion	**543,020**	581,670
	581,669	618,368

For the year ended 31 December 2017, 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 have default in the past.

For the year ended 31 December 2018, there was no ECLs made on amount due from grantor, and there was no ECLs made upon the transition of IFRS 9 as of 1 January 2018.

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., 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.

30. AMOUNT DUE FROM GRANTOR (Continued)

(b) The public infrastructure projects with financial receivables amounting to approximately RMB581,669,000 (2017: RMB618,368,000) at the end of the reporting period are pledged to secure the loans taken up by the Group (note 37).

Amount due from grantor is in respect of revenue from construction services under BOT arrangement and bears interest at a rate of 5.4% (2017: 5.4%) per annum. The amount was not yet due for payment at the end of each year and will be settled by revenue to be generated during the operating periods of the BOT arrangement.

31. DEFERRED TAX ASSETS/(LIABILITIES)

The components and movements in deferred tax liabilities and assets during the year are as follows:

	Impairment of assets RMB'000	Provision RMB'000	Fair value changes of available-for-sale financial assets/ FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	636	4,124	(77,343)	(6,147)	(78,730)
Credited/(charged) to profit or loss	9,149	3,316	3,152	(26,577)	(10,960)
Credited to other comprehensive income	–	–	62,233	25,071	87,304
At 31 December 2017 and 1 January 2018	**9,785**	**7,440**	**(11,958)**	**(7,653)**	**(2,386)**
Impact on IFRS 9	**3,268**	**–**	**(130,115)**	**–**	**(126,847)**
At 1 January 2018 (restated)	**13,053**	**7,440**	**(142,073)**	**(7,653)**	**(129,233)**
Credited/(charged) to profit or loss	**(3,811)**	**2,113**	**1,248**	**1,991**	**1,541**
Credited to other comprehensive income	**–**	**–**	**(2,855)**	**4,003**	**1,148**
Disposal of a subsidiary (note 9)	**–**	**–**	**–**	**(5,439)**	**(5,439)**
Acquisition of a subsidiary (note 10)	**–**	**–**	**–**	**(15,276)**	**(15,276)**
At 31 December 2018	**9,242**	**9,553**	**(143,680)**	**(22,374)**	**(147,259)**

For the purpose of presentation in the consolidated statement 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:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**35,495**	32,406
Deferred tax liabilities	**(182,754)**	(34,792)
	(147,259)	(2,386)

31. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

Deferred tax assets have not been recognised for the following:

	2018 **RMB'000**	2017 RMB'000
Deductible temporary differences	**125,266**	202,583
Unused tax losses	**798,134**	474,385
	923,400	676,968

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:

	2018 **RMB'000**	2017 RMB'000
2018	**–**	78,911
2019	**12,762**	12,762
2020	**8,279**	8,279
2021	**145,902**	179,532
2022	**143,727**	194,901
2023	**433,843**	–
No expiry date	**53,621**	–
	798,134	474,385

32. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials	**12,788**	10,046
Work-in-progress	**2,794**	2,404
Finished goods	**26,369**	14,285
	41,951	26,735

33. LOAN RECEIVABLES

	2018 RMB'000	2017 RMB'000
Loan receivables	–	160,830
Less: Allowance for impairment losses	–	(23,323)
Current portion	–	137,507

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 period 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 RMB302,000,000 for the year ended 31 December 2017. During the year ended 31 December 2018, the subsidiary engaged in this business was disposed (note 9).

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:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	–	100,584
Less than 1 year past due	–	11,250
Over 1 year past due	–	25,673
	–	137,507

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

	2018 RMB'000	2017 RMB'000
Within 1 year	–	80,000
1 to 2 years	–	36,600
2 to 3 years	–	44,230
	–	160,830

33. LOAN RECEIVABLES (Continued)

For the year ended 31 December 2017, the credit quality of loan receivables that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties did not have defaults in the past.

The table below reconciles the impairment loss of loan receivables during the year:

	2018	2017
	RMB'000	RMB'000
At beginning of the year	**23,323**	7,915
Impairment loss recognised	**–**	15,408
Disposal of a subsidiary	**(23,323)**	–
At end of the year	**–**	23,323

34. PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Prepayments	**30,873**	20,368
Other receivables	**160,433**	72,860
Interest receivables	**18**	23
Dividend receivables	**–**	9,021
	191,324	102,272
Less: Allowance for impairment losses	**(5,798)**	(8,446)
	185,526	93,826

The table below reconciles the impairment loss of prepayments and other receivables during the year:

	2018	2017
	RMB'000	RMB'000
At beginning of the year under IAS 39	**8,446**	6,328
Impact of initial application of IFRS 9	**378**	–
Adjusted balance at beginning of the year	**8,824**	6,328
Impairment loss recognised	**–**	2,118
Reversal of impairment loss previously recognised	**(3,026)**	–
At end of the year	**5,798**	8,446

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

(A) Financial assets at fair value through profit or loss

	2018 RMB'000	2017 RMB'000
Listed equity investments	36,926	19,440
Unlisted equity investments	1,276,406	–
Listed debt investments	–	1,738
Investment-linked deposits	153,020	–
Current assets	1,466,352	21,178

(B) Financial assets at fair value through other comprehensive income

	2018 RMB'000	2017 RMB'000
Listed equity investments	90,117	–
Listed debt investments	351,733	–
Non-current assets	441,850	–

The ECLs made for the year ended 31 December 2018 was RMB3,433,000. The directors considered that the impact of ECLs upon transition to IFRS 9 as of 1 January 2018 was immaterial.

36. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018	2017
	RMB'000	RMB'000
Cash and bank balances	**3,052,611**	5,131,981
Less: Pledged short-term deposits	**(37,472)**	(219,473)
Cash and cash equivalents	**3,015,139**	4,912,508

Cash and bank balances earn 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 their fair values.

As at 31 December 2018, the pledged deposits RMB37,472,000 was pledged for banking facilities.

As at 31 December 2017, the pledged deposits RMB209,010,000 represent deposits pledged to a bank for secure bank loan of outstanding amount of USD30,500,000 (note 37) and RMB10,463,000 was pledged for banking facilities.

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.

37. BORROWINGS

	2018 RMB'000	2017 RMB'000
Current portion		
Secured bank loans	**847,619**	798,962
Unsecured bank loans	**2,320,416**	2,209,051
	3,168,035	3,008,013
Non-current portion		
Secured bank loans	**1,264,006**	113,450
Unsecured bank loans	**489,930**	714,432
	1,753,936	827,882
Total borrowings	**4,921,971**	3,835,895
Bank loans interest at rate per annum in the range of	**3.24% to 5.70%**	2.44% to 5.23%

At 31 December, total current and non-current bank borrowings were scheduled to repay as follows:

	2018 RMB'000	2017 RMB'000
On demand or within one year	**3,168,035**	3,008,013
More than one year, but not exceeding two years	**730,585**	827,882
More than two years, but not exceeding five years	**1,023,351**	–
	4,921,971	3,835,895

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

37. BORROWINGS (Continued)

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

	Notes	**2018** **RMB'000**	2017 RMB'000
Pledge of assets:			
Amount due from grantor	(i)	**581,669**	618,368
Trade receivables	(ii)	**94,910**	178,243
Concession rights	(ii) & (iii)	**–**	549,707
Pledged deposits	(iv)	**–**	209,010
Listed debt investment	(v)	**338,280**	–
Lease receivables	(vi)	**787,777**	–
Investments in an associate and a subsidiary	(vii)	**1,696,557**	–

Notes:

(i) Bank loans amounting to RMB70,000,000 (2017: RMB128,000,000) were secured by the amount due from grantor in note 30.

(ii) Bank loans amounting to RMB187,668,000 (2017: RMB353,985,000) were secured by trade receivables in note 28.

(iii) Bank loans amounting to RMB nil (2017: RMB117,684,000) were secured by receivables from concession rights of certain wastewater plants in note 24.

(iv) A bank loan amounting to RMB nil (2017: USD30,500,000) (approximately equivalent to RMB199,293,000)) was secured by pledged deposits in note 36.

(v) A bank loan amounting to USD35,000,000 (equivalent to RMB240,212,000) was secured by listed debt investment in note 35.

(vi) Bank loans amounting to RMB650,745,000 was secured by lease receivables in note 29.

(vii) A bank loan amounting to RMB963,000,000 was secured by 49% equity interests of Huiran and 100% equity interests of Ruyu Energy in note 25 and note 26.

At 31 December 2018, the Company has issued guarantees to banks to secure banking facilities granted to certain subsidiaries to the extent of RMB4,000,000,000 (2017: RMB2,500,000,000). The aforesaid bank loans outstanding as at 31 December 2018 were RMB1,527,000,000 (2017: RMB1,242,257,000).

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 (2017: RMB300,000,000). These balances were unsecured, interest bearing at interest rate of 3.92% (2017: 3.92%) per annum respectively and repayable within one year.

The Group has aggregated banking facilities of RMB11,105,927,000 (2017: RMB8,189,758,000) acquired from the bankers, of which RMB4,921,971,000 (2017: RMB3,835,895,000 were utilised and RMB6,183,956,000 (2017: RMB4,353,863,000) were unutilised as at 31 December 2018.

38. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE

	2018 RMB'000	2017 RMB'000
Current portion		
Corporate bonds	–	1,599,675
Short-term bonds	–	1,009,978
	–	2,609,653
Non-Current portion		
Corporate bonds	1,683,908	–
Medium-term bonds	1,095,563	1,092,799
Total bonds payable	2,779,471	3,702,452

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 due on 5 January 2018 and bear interest at a benchmark interest rate (based on the National Interbank Funding Centre published interest rate) plus an interest margin of 2.95% per annum. The 2012 bonds matured and repaid in January 2018.

As approved by the China Securities Regulatory Commission document [2017] No. 1928, the Company issued domestic corporate bonds with an aggregate principal amount of RMB500 million, RMB510 million and RMB680 million on 13 March 2018, 18 July 2018 and 18 July 2018 respectively. The bonds mature in five years and bear fixed interest at 5.58% per annum, 4.65% per annum and 4.89% per annum respectively.

The corporate bonds are stated at amortised cost. Interest is payable once a year for 2018 bonds and interest is payable once every six months for 2012 bonds.

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

	2018 RMB'000	2017 RMB'000
At beginning of the year	1,599,675	1,595,052
Repayment during the year	(1,600,000)	–
Issued during the year	1,690,000	–
Add: Interest expenses	50,332	93,174
Less: Interest paid	(56,099)	(88,551)
At end of the year	1,683,908	1,599,675
Less: Current portion due within 1 year	–	(1,599,675)
Non-current portion	1,683,908	–

38. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE (Continued)

Medium-term bonds

As approved by the National Association of Financial Market Institutional Investors [2016] No. MTN378, the Company issued medium-term bonds with the principal amounts of RMB600 million and RMB500 million on 11 August 2017 and 18 August 2017 respectively. The bonds mature in 3 years due on 10 August 2020 and 17 August 2020 respectively, and bear interest at fixed interest rates 4.88% per annum and 4.85% per annum respectively.

The medium-term bonds are stated at amortised cost. Interest is payable once a year.

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

	2018	2017
	RMB'000	RMB'000
At beginning of the year	**1,092,799**	–
Issued during the year	**–**	1,100,000
Add: Interest expense	**56,138**	13,796
Less: Interest paid	**(53,374)**	(20,997)
At end of the year (non-current portion)	**1,095,563**	1,092,799

Short-term bonds

In September 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 September 2016. The bonds mature in 270 days and bear interest at a benchmark interest rate (based on the National Interbank Funding Center published interest rate) plus an interest margin of 2.90% per annum. The 2016-short-term bond was matured and repaid in June 2017.

In February 2017, as approved by the National Association of Financial Market Institutional Investors [2016] No. SCP251, the Company issued three short-term bonds. The principal amounts of these three 2017-short-term bonds are RMB500 million issued on 23 February 2017 at a fixed interest rate 4.43% per annum for a term of 181 days; RMB500 million issued on 16 August 2017 at a fixed interest rate 4.63% per annum for a term of 1 year; and RMB500 million on 24 November 2017 at a fixed interest rate 5.39% per annum for a term of 270 days. The 2017-short-term bonds of amount RMB500 million issued on 23 February 2017, RMB500 million issued on 16 August 2017 and RMB500 million issued on 24 November 2017 matured and were repaid in August 2017, August 2018 and August 2018 respectively.

38. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE (Continued)

Short-term bonds (Continued)

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

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

	2018 RMB'000	2017 RMB'000
At beginning of the year	**1,009,978**	302,417
Issued during the year	**–**	1,500,000
Repayment of short-term bond	**(1,000,000)**	(800,000)
Add: Interest expense	**33,054**	24,920
Less: Interest paid	**(43,032)**	(17,359)
At end of the year (current portion)	**–**	1,009,978

39. TRADE AND BILLS PAYABLE

	2018 RMB'000	2017 RMB'000
Trade payables		
– Shanghai Gas Group	**929,183**	745,996
– Third parties	**447,288**	517,613
Bills payable	**6,535**	–
	1,383,006	1,263,609

39. TRADE AND BILLS PAYABLE (Continued)

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

	2018 RMB'000	2017 RMB'000
Within 1 year	**1,351,540**	1,210,918
1 to 2 years	**21,403**	42,026
2 to 3 years	**2,563**	3,900
Over 3 years	**7,500**	6,765
	1,383,006	1,263,609

40. OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Current portion		
Deposits received, other payables and accruals	**599,713**	566,969
Amount due to Shanghai Gas Group	**25,051**	20,091
Receipt in advance	**29,892**	142,731
Salary payables	**61,292**	73,716
Interest payables	**76,385**	26,797
Dividend payables	**62,017**	911
Deferred government grants	**6,645**	5,382
	860,995	836,597
Non-current portion		
Amount due to Shanghai Gas Group	**37,311**	37,310
Finance lease deposit received	**212,607**	158,039
Deferred government grants	**138,003**	147,799
	387,921	343,148
	1,248,916	1,179,745

Other payables are non-interest-bearing.

Note: Dividend payables included RMB61,106,000 to then-shareholders of a subsidiary, which the Group acquired during the year.

41. DEFERRED INCOME

	2018 RMB'000	2017 RMB'000
At beginning of the year	**1,330,328**	1,327,471
Additions	**196,074**	225,006
Released to profit or loss	**(222,715)**	(222,149)
At end of the year	**1,303,687**	1,330,328
Analysed into:		
Current	**217,049**	212,693
Non-current	**1,086,638**	1,117,635
At end of the year	**1,303,687**	1,330,328

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 31 December 2018, the deferred income included an amount of RMB139,434,000 (2017: 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 Shanghai Dazhong Gas was transferred from Shanghai Municipal Assets Management Company 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 (2017: RMB8,944,000) which was accounted for as "other payables".

42. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	2018 RMB'000	2017 RMB'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**–**	287,854
Progress billings	**–**	(929,199)
	–	(641,345)
Represented by:		
Due to customers included in current liabilities	**–**	(641,345)

43. CONTRACT LIABILITIES

Contract liabilities

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities arising from:			
Gas pipeline construction services	**758,127**	779,004	–
	758,127	779,004	–

Typical payment terms which impact on the amount of contract liabilities are as follows:

Gas pipeline construction services

Where discrepancies arise between the deposits payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in contract liabilities

	2018 RMB'000
Balance as at 1 January	**779,004**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year (note 7)	**(297,319)**
Increase in contract liabilities as a result of billing in advance of Gas pipeline construction services	**276,442**
Balance at 31 December	**758,127**

Note: The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of IFRS 15, amounts previously included as "Amounts due to customers for contract work" (note 42) have been reclassified to "Contract liabilities" (note 43).

44. EMPLOYEE DEFINED BENEFITS

One of the subsidiaries of the Company pays supplementary pension subsidies and other post-employment obligations to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various employee benefit scheme adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and staff turnover rate risk.

Interest risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligation is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Staff turnover rate risk	The present value of the defined benefit plan obligation is calculated by reference to the future staff turnover rate of plan participants. As such, an increase in the average staff turnover of the plan participants will increase the plan liability.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2018 was carried out by an independent firm of actuaries, Towers Watson, which is a global advisory, broking and solutions company. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2018	2017
Discount rate	**3.50%**	4.00%
Early-retiree's salary and supplemental benefit inflation rate	**8.00%**	8.00%
Resignation staff turnover rates	**0.00%**	0.00%

44. EMPLOYEE DEFINED BENEFITS (Continued)

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2018 RMB'000	2017 RMB'000
Cost		
Service cost	–	(752)
Current service cost	465	533
Interest cost	1,429	1,405
Components of defined benefit costs recognised in profit or loss	1,894	1,186
Re-measurement on the net defined benefit obligations:		
Actuarial losses/(gain) arising from experience adjustments	2,418	(3,766)
Components of defined benefit costs recognised in other comprehensive income	2,418	(3,766)
Total	4,312	(2,580)

The expense for the year is included in the employee benefits expense in profit or loss. The re-measurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2018 RMB'000	2017 RMB'000
Present value of unfunded defined benefit obligations	39,055	36,715
Net liability arising from defined benefit obligations	39,055	36,715
Less: Amount due within one year	(2,021)	(1,977)
Amount due after one year	37,034	34,738

44. EMPLOYEE DEFINED BENEFITS (Continued)

Movements in the present value of the retirement and supplemental benefit obligations in the year were as follows:

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**36,715**	41,217
Current service cost	**465**	533
Interest cost	**1,429**	1,405
Re-measurement losses/(gains):		
Actuarial gain/(loss) arising from experience adjustments	**2,418**	(3,766)
Benefits paid	**(1,972)**	(2,674)
At end of the year	**39,055**	36,715

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, benefit rate and staff turnover rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases (decreases) by 1%, the defined benefit obligation would decrease by RMB4,595,000 (2017: RMB4,190,000) (increase by RMB5,751,000 (2017: RMB5,209,000)) for the year ended 31 December 2018.

- If the benefit rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB112,000 (2017: RMB94,000) (decrease by RMB159,000 (2017: RMB131,000)) for the year ended 31 December 2018.

- If the staff turnover rate increases by 1%, the defined benefit obligation would decrease by RMB896,000 (2017: RMB809,000) for the year ended 31 December 2018.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the method and assumptions used in preparing the sensitivity analysis from prior year.

44. EMPLOYEE DEFINED BENEFITS (Continued)

The average duration of the defined benefit obligation as at 31 December 2018 is 30 (2017: 30) years. This number can be analysed as follows:

	2018	2017
Civil retires	**3.0 years**	4.1 years
Retired members	**21.8 years**	22.0 years
Current staff	**45.2 years**	44.2 years

45. PROVISION FOR RESTORATION

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**32,560**	19,295
Add: Provision	**8,451**	6,122
Less: Disposal of subsidiaries	**–**	7,143
At end of the year	**41,011**	32,560

The provision for restoration costs represented director's estimated assets restoration obligations relating to the wastewater treatment operation and public infrastructure projects.

46. 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 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 i)	–	49,730,000	49,730,000	49,730	49,730
Transfers of A shares to H shares (note i)	(4,973,000)	4,973,000	–	–	–
As 31 December 2017, 1 January 2018 and at 31 December 2018	**2,418,791,675**	**533,643,000**	**2,952,434,675**	**2,952,435**	**2,952,435**

Note:

(i) 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 the completion of the transaction. As at 31 December 2017, the Company has 533,643,000 H shares and 2,418,791,675 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.

47. RESERVES

Company level

	Capital reserve (note (a)) RMB'000	Statutory reserve (note (b)) RMB'000	Investment revaluation reserve (note (d)) RMB'000	FVOCI reserve (recycling) (note (d)) RMB'000	FVOCI reserve (non-recycling) (note (d)) RMB'000	Other reserve (note (f)) RMB'000	Retained earnings (note (g)) RMB'000	Reserve total RMB'000
At 1 January 2017	944,845	462,238	160,382	–	–	1,233,120	549,030	3,345,615
Profit for the year	–	–	–	–	–	–	379,353	379,353
Other comprehensive income for the year:								
Share of other comprehensive income of associates	–	–	–	–	–	(75,886)	–	(75,886)
Change in fair value of available for sale financial assets	–	–	(160,382)	–	–	–	–	(160,382)
Total comprehensive income for the year	–	–	(160,382)	–	–	(75,886)	379,353	143,085
Issue of ordinary H shares (note 46(i))	102,793	–	–	–	–	–	–	102,793
2016 final dividend paid (note 18)	–	–	–	–	–	–	(177,146)	(177,146)
Appropriation to statutory reserve	–	37,935	–	–	–	–	(37,935)	–
Others	–	–	–	–	–	(30,775)	–	(30,775)
At 31 December 2017 and 1 January 2018	**1,047,638**	**500,173**	**–**	**–**	–	**1,126,459**	**709,302**	**3,383,572**
Initial application of IFRS 9 (note 2(a))	**–**	**(238)**	**–**	**–**	**–**	**–**	**(2,148)**	**(2,386)**
Restated balance as at 1 January 2018	**1,047,638**	**499,935**	**–**	**–**	**–**	**1,126,459**	**707,154**	**3,381,186**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**316,600**	**316,600**
Other comprehensive income for the year:								
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**–**	**(412,725)**	**–**	**(412,725)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(412,725)**	**316,600**	**(96,125)**
2017 final dividend paid (note 18)	**–**	**–**	**–**	**–**	**–**	**–**	**(177,146)**	**(177,146)**
Appropriation to statutory reserve	**–**	**31,660**	**–**	**–**	**–**	**–**	**(31,660)**	**–**
Others	**87,887**	**–**	**–**	**–**	**–**	**–**	**–**	**87,887**
At 31 December 2018	**1,135,525**	**531,595**	**–**	**–**	**–**	**713,734**	**814,948**	**3,195,802**

47. RESERVES (Continued)

Notes:

(a) Capital reserve:
The amount represents capital contribution in excess of nominal value of share capital and changes in capital reserves of associates.

(b) Statutory reserve:
The amount represents the legal requirement for certain level of operating funds set aside from retained earnings for operating use.

(c) Exchange reserve:
The amount represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(d) Investment revaluation reserve/FVOCI reserve:
Investment revaluation reserve represents cumulative net gains and losses recognised from revaluation of available for sale financial assets.

FVOCI reserve comprises the cumulative net change in the fair value of equity investment designated at FVOCI under IFRS 9 that are held at the end of the reporting period.

(e) Special reserve:
The amount represents provision of safety production expenses for gas industry.

(f) Other reserve:
The amount represents net amount from share of other comprehensive income of associates.

(g) Retained earnings:
Cumulative net gains and losses recognised in profit or loss.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
Non-current assets			
Property, plant and equipment		**88,786**	54,525
Investment properties		**39,658**	41,008
Intangible assets		**6,587**	2,264
Investments in subsidiaries	25	**4,567,713**	3,412,199
Investments in associates		**4,830,734**	4,355,781
Financial assets at fair value through other comprehensive income		**68,598**	–
Available-for-sale financial assets		**–**	69,227
Total non-current assets		**9,602,076**	7,935,004
Current assets			
Prepayments and other receivables		**11,993**	332,118
Amounts due from subsidiaries	25	**917,235**	981,810
Financial assets at fair value through profit or loss		**23**	2,337
Cash and cash equivalents		**1,931,469**	3,612,713
Total current assets		**2,860,720**	4,928,978

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Current liabilities			
Borrowings		**1,815,100**	1,959,300
Corporate bonds and short-term bonds payable (note 38)		**–**	2,609,653
Other payables		**161,578**	165,616
Amounts due to subsidiaries	25	**596,843**	699,409
Total current liabilities		**2,573,521**	5,433,978
Net current assets/(liabilities)		**287,199**	(505,000)
Total assets less current liabilities		**9,889,275**	7,430,004
Non-current liabilities			
Borrowings		**960,400**	–
Corporate bonds and medium-term bonds payable (note 38)		**2,779,470**	1,092,799
Deferred tax liabilities		**1,168**	1,198
Total non-current liabilities		**3,741,038**	1,093,997
Net assets		**6,148,237**	6,336,007
Equity			
Share capital	46	**2,952,435**	2,952,435
Reserves	47	**3,195,802**	3,383,572
Total equity		**6,148,237**	6,336,007

On behalf of the directors

Director

Director

49. 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 leasee are as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,712**	4,853
In the second to fifth year	**1,142**	2,909
After the fifth year	**–**	4,199
	2,854	11,961

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 equipment are as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**5,452**	4,808
In the second to fifth year	**13,679**	10,548
After the fifth year	**10,928**	20,129
	30,059	35,485

49. COMMITMENTS (Continued)

(b) Capital commitments

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

	Notes	2018 RMB'000	2017 RMB'000
In respect of:			
Share transfer agreement	(i)	**51,678**	51,678
Capital injection in subsidiary	(ii), (iii) and (iv)	**110,000**	82,671

Notes:

(i) A subsidiary of the Group, namely Shanghai Dazhong Group Capital Equity Investment Co., Ltd. ("the Buyer"), was 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 華人文化產業服權投資(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 31 December 2018 and 2017, the Group in aggregate has paid RMB198,322,000 by nine instalments and all shareholders have paid according to the equity interest proportion. The remaining balance of RMB51,678,000 will be paid together with other shareholders in accordance with equity interest proportion for further investment needs.

(ii) On 22 December 2017, the Group set up a new subsidiary in Vietnam namely Dazhong (Vietnam) international Company Limited with registered capital of USD5,000,000 (equivalent to RMB32,671,000). During the year ended 31 December 2018, the required capital injection was completed.

(iii) During the year ended 31 December 2017, the Company's 50% subsidiary, Shanghai Dazhong Gas increased the registered capital by RMB200,000,000, out of which RMB100,000,000 was paid up as at 31 December 2017. The remaining amount of RMB100,000,000 was paid by the Company together with other shareholders in 2018.

(iv) During the year ended 31 December 2018, the Company agreed to make an capital injection of 90 million of the Company's 49.02% associate, of Shanghai Huacan Equity Investment Fund Partnership. As at 31 December 2018, the capital injection was not paid up.

50. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant transactions with its related parties as follows:

	2018 RMB'000	2017 RMB'000
Shanghai Dazhong Financial Leasing Co., Ltd.		
Acquisition of equity interest of non-controlling interests (note 25)	–	4,035
Shanghai Gas Group		
Purchase of piped gas (excluded VAT)	2,709,786	2,378,367
Rental expenses	4,723	4,960
Associates		
Rental expenses	4,896	4,671
Disposal of a subsidiary (note 9)	102,500	–
Service income	694	–
Shanghai Gas Group's affiliate		
Interest expense	–	11,799
Related company		
Shanghai Dazhong Advertising Co., Ltd.		
Service fees	117,000	–
Shanghai Dazhong Xingguang Taxi Co., Ltd		
Financial income	1,900	–

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.

Key management remuneration

The Group considered the executive directors and 2 senior managements as key management.

	2018 RMB'000	2017 RMB'000
Basic salaries and other benefits	22,146	15,928
Pension scheme contributions	–	–
Total compensation paid to key management personnel	22,146	15,928

50. RELATED PARTY TRANSACTIONS (Continued)

The emoluments paid or payable to 2 (2017: 3) senior managements were within the following bands:

	2018 No. of individuals	2017 No. of individuals
HK$1,000,000 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–

As at the end of each reporting date, apart from the disclosures already made in investments in associates, borrowings, trade and other payables in notes 26, 37, 39 and 40 respectively, the balances with its related parties are listed as follows:

	Notes	**2018 RMB'000**	2017 RMB'000
Prepayment			
Dazhong Building	(i)	**141**	140
Dividend receivable			
Shanghai Xuhui Onlly Mirco-credit	(ii)	**–**	876
Shanghai Hangxin	(iii)	**–**	8,145
Other receivables			
Shanghai Xuhui Onlly Micro-credit	(ii)	**7**	320
Shanghai Shihe	(iv)	**–**	322,218
Shanghai Dazhong Enterprise Management Ltd.	(v)	**92,060**	–
Trade receivables			
Cuiwei Network Technology (Shanghai) Co., Ltd.	(vi)	**63**	–

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

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

(iii) Shanghai Hangxin is an associate of the Group.

(iv) Shanghai Shihe is an associate of the Group.

(v) Shanghai Dazhong Enterprise Management Ltd. is a related Company.

(vi) Cuiwei Network Technology (Shanghai) Co., Ltd is an associate of the Group.

51. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2018 Carrying amount RMB'000	2017 Carrying amount RMB'000
Financial assets		
Financial assets at fair value through profit or loss		
– Listed equity investments	**36,926**	–
– Unlisted equity investments	**1,276,406**	–
– Investment-linked deposits	**153,020**	–
Financial assets at fair value through other comprehensive income		
– Listed equity investments	**90,117**	–
– Listed debt investments	**351,733**	–
Loans and receivables		
– Trade and bills receivable	**571,964**	456,094
– Lease receivables	**1,785,857**	1,349,253
– Amount due from grantor	**581,669**	618,368
– Amount due from an associate	**–**	318,996
– Loan receivables	**–**	137,507
– Other receivables	**92,344**	73,458
– Pledged deposits	**37,472**	219,473
– Cash and cash equivalents	**3,015,139**	4,912,508
Available-for-sale financial assets		
– Listed investments	**–**	133,441
– Unlisted investments	**–**	759,803
– Investment-linked deposits	**–**	175,000
Financial liabilities		
Financial liabilities measured at amortised cost		
– Borrowings	**4,921,971**	3,835,895
– Trade payables	**1,383,006**	1,263,609
– Other payables	**1,012,067**	884,005
– Corporate bonds, medium-term and short-term bonds payable	**2,779,471**	3,702,452

51. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include amounts due from/to subsidiaries, amount due from associate, trade and bills receivable, lease receivables, amount due from grantor, loan receivables, other receivables, pledged deposits, cash and cash equivalents, borrowings, trade and bills payable, other payables and corporate bonds and short-term bonds payable.

In the opinion of the directors, the carrying value of these amount approximated their fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurements

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

51. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements (Continued)

	Group			
	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at fair value through profit or loss				
– Listed equity investments	**36,926**	**–**	**–**	**36,926**
– Unlisted equity investments	**–**	**–**	**1,276,406**	**1,276,406**
– Investment-linked deposits	**–**	**–**	**153,020**	**153,020**
Financial assets at fair value through other comprehensive income				
– Listed equity investments	**90,117**	**–**	**–**	**90,117**
– Listed debt investments	**351,733**	**–**	**–**	**351,733**
	478,776	**–**	**1,429,426**	**1,908,202**

	Group			
	2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
– Listed equity investments	141,138	–	–	141,138
– Listed debt investments	13,481	–	–	13,481
	154,619	–	–	154,619

The unlisted equity investments and investment-linked deposits of the Group are measured at fair value. The fair value disclosed are categorised as Level 3 valuation. Fair value of some of the unlisted equity investments are determined by applying the income approach.

The fair value of the unlisted equity investment and investment-linked deposits of the Group is estimated using a discounted cash flow method.

51. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements (Continued)

Significant unobservable inputs	
Discount rate	6%

The higher the discount, the lower the fair value.

There were no changes in valuation techniques during the period.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Financial assets at FVTPL	
	2018	2017
	RMB'000	RMB'000
At 1 January under IAS 39	**–**	–
Impact of initial application of IFRS 9	**1,509,159**	–
Adjusted balance at 1 January	**1,509,159**	–
Purchases	**300,092**	–
Sales	**(367,240)**	–
Allowance for impairment losses	**–**	–
Total gains or losses:		
– in other comprehensive income (included in changes in fair value of available for sale financial assets)	**(12,585)**	–
At 31 December	**1,429,426**	–

51. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(c) Fair value and fair value hierarchy of financial instruments of the Group

	Fair value measurement using quoted prices in active markets (Level 1)	
	2018	2017
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
– Available-for-sale listed investments	**–**	133,441
– Equity investments at fair value through profit or loss	**36,926**	21,178

	Fair value measurement using quoted prices in active markets (Level 1)	
	2018	2017
	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income		
– Listed equity investments	**90,117**	–
– Listed debt investments	**351,733**	–

There were no transfers between levels during the period.

52. FINANCIAL RISK

The Group exposures to credit, interest rate, liquidity and foreign currency risks arises in the normal course of its business.

The Group's principal financial instruments mainly include trade and bills receivable, lease receivables, pledged deposits cash and cash equivalents and trade and bills payable, interest-bearing borrowings which arise directly from its operations. The Group has other financial assets and liabilities such as amounts due from/to associates, deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loan and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. With all other variable held constant, the Group's profit after tax and equity is affected through the impact on floating rate borrowings, as follows:

	Increase/(decrease) on profit after tax and equity	
	2018	2017
	RMB'000	RMB'000
Decrease by 25 basis points	**(18,216)**	11,514
Increase by 25 basis points	**18,216**	(11,514)

Foreign currency risk

The Group's businesses are located in the PRC and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

52. FINANCIAL RISK (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of each of the year to a reasonably possible change in the RMB/USD and RMB/HKD exchange rates, with all other variables held constant, of the Group's profit after tax and equity.

	Increase/(decrease) on profit after tax and equity	
	2018	2017
	RMB'000	RMB'000
RMB/USD		
Strengthened 5%	**(49,398)**	(4,830)
Weakened 5%	**49,398**	4,830
RMB/HKD		
Strengthened 5%	**(60,805)**	80,480
Weakened 5%	**60,805**	(80,480)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis; therefore, the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, the composition of which is disclosed in note 27 and 35, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Loss allowances on other receivables is measured as either 12-month ECLs or lifetime ECls, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECLs.

52. FINANCIAL RISK (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables of piped gas supply as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Current (not past due)	0.02%	218,796	44
Within 1 year past due	5%	40,500	2,025
1 to 2 years past due	25%	7,423	1,856
2 to 3 years past due	45%	3,618	1,628
3 to 4 years past due	60%	2,405	1,443
4 to 5 years past due	75%	1,724	1,293
Over 5 years past due	100%	7,617	7,617
		282,083	15,906

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables of wastewater treatment as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	–	39,180	–
Within 1 year past due	5.00	97,267	4,863
1 to 2 years past due	10.00	11,748	1,175
2 to 3 years past due	15.00	–	–
3 to 4 years past due	20.00	–	–
4 to 5 years past due	25.00	–	–
Over 5 years past due	100.00	–	–
		148,195	6,038

52. FINANCIAL RISK (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other trade and bills receivable at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**1.00**	**14,339**	**171**
Within 1 year past due	**5.00**	**3,977**	**40**
1 to 2 years past due	**25.00**	**–**	**–**
2 to 3 years past due	**45.00**	**–**	**–**
3 to 4 years past due	**60.00**	**–**	**–**
4 to 5 years past due	**75.00**	**–**	**–**
Over 5 years past due	**100.00**	**9,046**	**9,046**
		27,362	**9,257**

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

52. FINANCIAL RISK (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at 31 December 2018, based on the contractual undiscounted payments, was as follows:

	On demand RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Within 2 to 5 years RMB'000	Total RMB'000
At 31 December 2018					
Interest-bearing bank borrowings	**–**	**3,340,051**	**802,488**	**1,127,106**	**5,269,645**
Corporate bonds payable	**–**	**86,108**	**86,409**	**1,899,543**	**2,072,060**
Medium-term bonds payable	**–**	**56,295**	**1,134,760**	**–**	**1,191,055**
Trade and bills payable	**–**	**1,383,006**	**–**	**–**	**1,383,006**
Other payables	**715,656**	**–**	**–**	**249,918**	**965,574**
	715,656	**4,865,460**	**2,023,657**	**3,276,567**	**10,881,340**
At 31 December 2017					
Interest-bearing bank borrowings	–	3,102,892	–	940,705	4,043,597
Corporate bonds payable	–	1,601,317	–	–	1,601,317
Medium-term bonds payable	–	56,294	–	1,191,055	1,247,349
Short-term bonds payable	–	1,033,296	–	–	1,033,296
Trade and bills payable	–	1,263,609	–	–	1,263,609
Other payables	688,484	–	–	195,349	883,833
	688,484	7,057,408	–	2,327,109	10,073,001

53. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

53. CAPITAL MANAGEMENT (Continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by capital. The Group's net debt consists of interest-bearing bank loans and other borrowings and related party loans, less cash and cash equivalents. Capital represents total equity.

54. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Interest payable (note 40) RMB'000	Borrowings (note 37) RMB'000	Corporate bonds, medium-term and short-term bonds payable (note 38) RMB'000
At 1 January 2018	26,797	3,835,895	3,702,452
Changes from cash flows:			
Proceeds from new bank loans	–	4,586,097	–
Repayment of bank loans	–	(3,500,021)	–
Interest paid	(155,124)	–	(152,505)
Proceeds from issue of corporate bonds	–	–	1,690,000
Repayment of corporate bonds payables and short-term bonds payable	–	–	(2,600,000)
Total changes from financing cash flows:	(155,124)	1,086,076	(1,062,505)
Other changes:			
Interest expenses	204,712	–	139,524
Total other changes	204,712	–	139,524
At 31 December 2018	76,385	4,921,971	2,779,471

54. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

	Interest payable (note 40) RMB'000	Borrowings (note 37) RMB'000	Corporate bonds, medium and short-term bonds payable (note 38) RMB'000
At 1 January 2017	2,563	2,322,826	1,897,469
Changes from cash flows:			
Proceeds from new bank loans	–	3,446,401	–
Repayment of bank loans	–	(1,933,332)	–
Interest paid	(156,447)	–	(126,907)
Proceeds from issue of new medium-term bonds	–	–	1,100,000
Proceeds from issue of new short-term bonds	–	–	1,500,000
Repayment of short-term bonds	–	–	(800,000)
Total changes from financing cash flows:	(156,447)	1,513,069	1,673,093
Other changes:			
Interest expenses	180,681	–	131,890
Total other changes	180,681	–	131,890
At 31 December 2017	26,797	3,835,895	3,702,452

55. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the directors on 29 March 2019.

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