

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Dazhong Public Utilities (Group) Co., Ltd.\*, you should at once hand this circular, together with the enclosed proxy form, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**上海大眾公用事業(集團)股份有限公司**  
**Shanghai Dazhong Public Utilities (Group) Co., Ltd.\***

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

**(Stock Code: 1635)**

**BOARD REPORT 2018**  
**BOARD OF SUPERVISORS REPORT 2018**  
**FINAL FINANCIAL REPORT 2018 AND FINANCIAL BUDGET REPORT 2019**  
**PROFIT DISTRIBUTION PROPOSAL 2018**  
**RESOLUTION ON ESTIMATED ONGOING ORDINARY RELATED PARTY TRANSACTIONS 2019**  
**RESOLUTION ON BANK CREDIT FACILITIES APPLICATION**  
**RESOLUTION ON PROVISION OF GUARANTEE FOR CONTROLLED SUBSIDIARIES WITH**  
**RESPECT TO EXTERNAL FINANCING**  
**RESOLUTION ON IDLE FUND FOR ENTRUSTED FINANCING**  
**RESOLUTION ON RE-APPOINTMENT OF DOMESTIC AUDIT FIRM AND**  
**INTERNAL CONTROL AUDIT FIRM 2019**  
**RESOLUTION ON RE-APPOINTMENT OF OVERSEAS AUDIT FIRM 2019**  
**RESOLUTION ON THE PROPOSED REGISTRATION AND ISSUANCE OF**  
**SUPER SHORT-TERM COMMERCIAL PAPERS AND SHORT-TERM COMMERCIAL PAPERS**  
**RESOLUTION ON THE PROPOSED REGISTRATION AND ISSUANCE OF MID-TERM NOTES**  
**RESOLUTION ON THE PROPOSED CHANGE IN USE OF PROCEEDS**  
**AND**  
**RESOLUTION ON THE AMENDMENTS ON THE ARTICLES OF ASSOCIATION AND CHANGE**  
**ON INDUSTRIAL AND COMMERCIAL REGISTRATION**

A letter from the Board is set out on pages 5 to 11 of this circular. A notice convening the AGM to be held at 3/F, Dazhong Building, 1515 Zhongshan West Road, Shanghai, PRC on Wednesday, 12 June 2019 at 2:00 p.m. was published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The reply slip and proxy form for use at the AGM were also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Whether or not you are able to attend the AGM, you are reminded to complete, sign and return the reply slip and the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the completed and signed reply slip shall be lodged at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Thursday, 23 May 2019 by hand, by post or by fax. The form of proxy shall be lodged at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the AGM (being Tuesday, 11 June 2019 at 2:00 p.m.) or any adjournment thereof (as the case may be) in person or by mail. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM if you so wish.

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## DEFINITIONS

*Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:*

“A Share(s)”	the domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange
“AGM”	the annual general meeting of the Company to be held at 3/F, Dazhong Building, 1515 Zhongshan West Road, Shanghai, PRC on Wednesday, 12 June 2019 at 2:00 p.m. or any adjournment thereof
“Articles of Association” or “Articles”	the articles of association of the Company as effective at the time
“Board”	the board of Directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“CBRC”	China Banking Regulatory Commission
“CCG”	Code of Corporate Governance for Listed Companies (《上市公司治理準則》) issued by CSRC
“Company” or “Dazhong Public Utilities”	Shanghai Dazhong Public Utilities (Group) Co., Ltd.*, a joint stock company incorporated in the PRC with limited liability, which H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Company Law”	the Company Law of the PRC as amended, supplemented or otherwise modified from time to time
“CSRC”	China Securities Regulatory Commission
“Dazhong Building”	Shanghai Dazhong Building Co., Ltd.* (上海大眾大廈有限責任公司)
“Dazhong Commerce”	Shanghai Dazhong Transportation Commerce Co., Ltd.* (上海大眾交通商務有限公司),
“Dazhong Financial Leasing”	Shanghai Dazhong Financial Leasing Co., Ltd.* (上海大眾融資租賃有限公司)

## DEFINITIONS

“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 Jiading Sewage”	Shanghai Dazhong Jiading Sewage Co., Ltd.* (上海大眾嘉定污水處理有限公司)
“Dazhong Run Logistics”	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 6 June 1994, whose A shares (Stock Code: 600611.SH) and B shares (Stock Code: 900903.SH) have been listed on the Shanghai Stock Exchange since 7 August 1992
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huacan Fund”	Shanghai Huacan Equity Investment Fund Partnership* (上海華璨股權投資基金合夥)
“Jiangsu Dazhong Water”	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)

## DEFINITIONS

“LNG”	Liquefied natural gas
“LPG”	Liquefied petroleum gas
“Nantong Dazhong Gas”	Nantong Dazhong Gas Co., Ltd.* (南通大眾燃氣有限公司)
“PRC” or “China”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“Prospectus”	the prospectus of the Company dated 23 November 2016
“Reporting Period”	the year from 1 January 2018 to 31 December 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the PRC
“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 Ruyi”	Shanghai Ruyi 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)”	the share(s) of the Company with a nominal value of RMB1.00 each, including A Share(s) and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company, including A Shareholder(s) and H Shareholder(s)
“Shiji Huatong”	Shiji Huatong Group Co., Ltd.* (世紀華通集團股份有限公司)
“Stocks Listing Rules”	Stocks Listing Rules of the Shanghai Stock Exchange

## 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
“US\$” or “USD”	United States Dollars, the lawful currency of the United States

\* *For identification purposes only*

## LETTER FROM THE BOARD



上海大眾公用事業(集團)股份有限公司  
**Shanghai Dazhong Public Utilities (Group) Co., Ltd.\***  
(a joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1635)

*Executive Directors:*

Mr. YANG Guoping (Chairman of the Board)  
Mr. LIANG Jiawei (Chief Executive Officer)  
Ms. YU Min  
Mr. ZHUANG Jianhao  
Mr. YANG Weibiao

*Non-executive Directors:*

Mr. CHAN Wing Kin  
Mr. LI Songhua  
Mr. CHEUNG Yip Sang

*Independent Non-executive Directors:*

Mr. WANG Kaiguo  
Mr. YAO Cho Fai Andrew  
Mr. CHOW Siu Lui  
Mr. WANG Hongxiang  
Mr. LIU Zhengdong

*Registered Office:*

518 Shangcheng Road  
Pudong New Area  
Shanghai  
PRC

*Principal Place of Business in Hong Kong:*

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

*Principal Place of Business in the PRC:*

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

25 April 2019

*To the Shareholders*

Dear Sir or Madam,

**BOARD REPORT 2018**  
**BOARD OF SUPERVISORS REPORT 2018**  
**FINAL FINANCIAL REPORT 2018 AND FINANCIAL BUDGET REPORT 2019**  
**PROFIT DISTRIBUTION PROPOSAL 2018**  
**RESOLUTION ON ESTIMATED ONGOING ORDINARY RELATED PARTY TRANSACTIONS 2019**  
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**ON INDUSTRIAL AND COMMERCIAL REGISTRATION**

\* For identification purpose only

## LETTER FROM THE BOARD

### I. INTRODUCTION

The purpose of this circular is to give you notice of the AGM and to provide you with information regarding certain ordinary resolutions and a special resolution to be proposed at the AGM relating to (including) the following matters to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the AGM:

At the AGM, resolutions will be proposed to approve, among others:

- (1) Work report of the board of directors of the Company for the year 2018;
- (2) Work report of the board of supervisors of the Company for the year 2018;
- (3) Final financial report for the year 2018 and the financial budget report for the year 2019;
- (4) Profit distribution proposal for the year 2018;
- (5) Resolution on the estimated ongoing ordinary related party transactions of the Company for the year 2019;
- (6) Resolution on the application of bank credit facilities of the Company and its subsidiaries;
- (7) Resolution on the proposal of the provision of guarantee for controlled subsidiaries with respect to their external financing;
- (8) Resolution on the proposal for the Company and its subsidiaries to use idle funds for entrusted financing for the year 2019;
- (9) Resolution on the re-appointment of the domestic audit firm and internal control audit firm for the Company for the year 2019;
- (10) Resolution on the re-appointment of the overseas audit firm for the Company for the year 2019;
- (11) Resolution on the proposed registration and issuance of super short-term commercial papers and short-term commercial papers;
- (12) Resolution on the proposed registration and issuance of mid-term notes;
- (13) Resolution on the proposed change in use of proceeds; and
- (14) Resolution on the amendments on the articles of association of the Company and the change on industrial and commercial registration;



## LETTER FROM THE BOARD

### Details of the Resolutions

(1) *Board Report 2018*

An ordinary resolution will be proposed at the AGM to pass the work report of the board of Directors of the Company for the year 2018. Full text of the Board Report 2018 to be passed is set out in Appendix I to this circular.

(2) *Board of Supervisors Report 2018*

An ordinary resolution will be proposed at the AGM to pass the work report of the board of supervisors for the year 2018. Full text of the Board of Supervisors Report to be passed is set out in Appendix II to this circular.

(3) *Final Financial Report 2018 and Financial Budget Report 2019*

An ordinary resolution will be proposed at the AGM to pass the final financial report of the Group for the year 2018 and the financial budget report for the year 2019. Full text of the Final Financial Report 2018 and Financial Budget Report 2019 to be passed is set out in Appendix III to this circular.

(4) *Profit Distribution Proposal 2018*

The net profit attributable to owners of the parent company of 2018 amounted to RMB478,488,753.97. The parent company's profit after tax amounted to RMB316,600,158.14. According to the Company Law and the Articles of Association, the Company's distribution plan is as follows:

Based on the net profit of the parent company in 2018, a 10% statutory reserve in the amount of RMB31,660,015.81 is provided, with the addition of the undistributed profit carried over from 2017 in the amount of RMB707,155,446.47, less the distributed amount of RMB177,146,080.50 in 2018, the total distributable profits amounted to RMB814,949,508.30. Based on the total share capital of 2,952,434,675 shares as at 31 December 2018, a proposed cash dividend of RMB0.60 (tax inclusive) for every 10 shares or a total profit of RMB177,146,080.50 will be distributed. The undistributed profit of RMB637,803,427.80 shall be outstanding for distribution next year.

The aforementioned distribution plan was considered and approved at the fifteenth meeting of the Tenth session of the Board, to which the independent non-executive Directors have given their independent consent, and will be put forward for Shareholders' approval at the AGM as an ordinary resolution. If approved, the Company will further announce the arrangement for the distribution of the final dividend, including the record date for distribution of the dividend, the closure of the register of members and other relevant matters.

## LETTER FROM THE BOARD

An ordinary resolution will be proposed at the AGM to pass the profit distribution proposal of the Company for the year 2018. Full text of the Profit Distribution Proposal 2018 to be passed is set out in Appendix IV to this circular.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China effective on 1 January 2008 and the relevant implementation rules, the Company has the obligation to withhold and pay the enterprise income tax at a rate of 10% of the final dividend for 2018 payable to the non-resident enterprise Shareholders. Any H Shares registered under the names of non-individual Shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organizations and groups are deemed to be held by non-resident enterprise Shareholders. The Company will distribute the final dividend to such non-individual Shareholders after withholding the enterprise income tax at a rate of 10%.

According to Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation, the Company shall withhold and pay the individual income tax for dividend payable to the individual H Shareholders. The individual H Shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual H Shareholders are Hong Kong or Macau residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. Should the individual H Shareholders be residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential treatment on their behalf in accordance with the Announcement on the issuance of the Administrative Measures on the Preferential Treatment Entitled by Non-resident Taxpayers under Tax Treaties (State Administration of Taxation [2015] No. 60) (《關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告[2015]第60號)). Should the individual H Shareholders be residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In the case that the individual H Shareholders are residents of the countries having not entered into any tax agreement with China, or having an agreed dividend tax rate with China of 20% or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. The Company assumes no liability whatsoever in respect of any request arising from any delay in, or inaccurate determination of, the status of the Shareholders, or any disputes over the mechanism of withholding and payment.

## LETTER FROM THE BOARD

(5) *Estimated Ongoing Ordinary Related Party Transactions*

An ordinary resolution will be proposed at the AGM to pass the resolution on the estimated ongoing ordinary related party transactions of the Company for the year 2019, full text of which is set out in Appendix V to this circular.

(6) *Bank Credit Facilities Application*

An ordinary resolution will be proposed at the AGM to pass the resolution on the application of bank credit facilities of the Company and its subsidiaries, full text of which is set out in Appendix VI to this circular.

(7) *Provision of Guarantee*

An ordinary resolution will be proposed at the AGM to pass the resolution on the provision of guarantee for controlled subsidiaries with respect to their external financing, full text of which is set out in Appendix VII to this circular.

(8) *Idle Fund For Entrusted Financing*

An ordinary resolution will be proposed at the AGM to pass the resolution for the Company and its subsidiaries to use idle funds for entrusted financing, full text of which is set out in Appendix VIII to this circular.

(9) *Re-appointment of Domestic Audit Firm and Internal Control Audit Firm*

An ordinary resolution will be proposed at the AGM to pass the resolution on re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the domestic audit firm and internal control audit firm for the Company for the year 2019, full text of which is set out in Appendix IX to this circular.

(10) *Re-appointment of Overseas Audit Firm*

An ordinary resolution will be proposed at the AGM to pass the resolution on re-appointment of BDO Limited as the overseas audit firm for the Company for the year 2019, full text of which is set out in Appendix X to this circular.

(11) *Proposed Registration and Issuance of Commercial Papers*

An ordinary resolution will be proposed at the AGM to pass the resolution on the proposed registration and issuance of super short-term commercial papers and short-term commercial papers, full text of which is set out in Appendix XI to this circular.

(12) *Proposed Registration and Issuance of Mid-term Notes*

An ordinary resolution will be proposed at the AGM to pass the resolution on the proposed registration and issuance of mid-term notes, full text of which is set out in Appendix XII to this circular.

## LETTER FROM THE BOARD

### *(13) Proposed Change in Use of Proceeds*

An ordinary resolution will be proposed at the AGM to pass the resolution on the proposed change of use of proceeds, full text of which is set out in Appendix XIII to this circular.

### *(14) Amendments on the Articles of Association and Change on Industrial and Commercial Registration*

The Directors has determined to amend the Articles of Association for repurchasing the Shares. The resolution in relation to the amendments to the Articles of Association was considered and approved at the fifteenth meeting of the Tenth session of the Board.

The Company confirms that (i) the Proposed Amendments to the Articles of Association regarding share repurchase and treasury shares are made in accordance with the relevant requirements under the PRC laws and regulations and shall apply only to the repurchase of the Company's A Shares but not to its H Shares. Furthermore, the Company undertakes that the Company will comply with the relevant listing rules for repurchase of its A Shares and Rule 10.06(5) of the Hong Kong Listing Rules for repurchase of its H Shares; and (ii) item (7) of the revised Article 29 of the Articles of Association shall only apply to A Shares and in the event if it happens, the Company undertakes the Company will comply with relevant listing rules. Furthermore, in the event that the particular parties involve any connected persons (as defined in the Hong Kong Listing Rules), the Company undertakes that the Company will comply with Chapter 14A of the Hong Kong Listing Rules for transfer of any buy back shares of the Company (if applicable).

A special resolution will be proposed at the AGM to pass the proposed amendments to the Articles of Association, full text of which is set out in Appendix XIV to this circular. Save for the proposed amendments to the Articles of Association set out in Appendix XIV, other provisions in the Articles of Association remain unchanged.

## **II. AGM**

A notice convening the AGM to be held at 3/F, Dazhong Building, 1515 Zhongshan West Road, Shanghai, PRC on Wednesday, 12 June 2019 at 2:00 p.m. was published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The reply slip and proxy form for use at the AGM were also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

If you are eligible and intend to attend the AGM, please complete and return the reply slip in accordance with the instructions printed thereon on or before Thursday, 23 May 2019. Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time for holding the AGM (being Tuesday, 11 June 2019 at 2:00 p.m.). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM if you so wish.

## LETTER FROM THE BOARD

### III. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of shareholders for H Shares to attend and vote at the aforesaid AGM, the register of members of the Company for H Shares will be closed from Monday, 13 May 2019 to Wednesday, 12 June 2019, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Friday, 10 May 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 registrar, 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 Friday, 10 May 2019.

### IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all resolutions put forward at the AGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company by means set out in Rule 13.39(5) of the Hong Kong Listing Rules after the AGM.

### V. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### VI. RECOMMENDATIONS

The Board considers that all resolutions set out in the notice of AGM are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders to vote in favour of the resolutions.

### VII. FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular.

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

\* For identification purpose only

<b>APPENDIX I</b>	<b>WORK REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY FOR THE YEAR 2018</b>
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The major works of the Board for the year ended 31 December 2018 and the 2019 annual work plan report are as follows:

2018 was the first year for implementing the spirit of the 19th National Congress of the Chinese Communist Party, the 40th anniversary of the Reform and Opening Up, a key year for implementing the “13th Five-Year” Plan, and also a critical year for Dazhong Public Utilities entering a new stage as a steadily growing A+H listed company. Confronted with complicated and volatile economic situations at home and abroad, the Company upheld the development strategy of “simultaneous development of public utility and financial investment”. 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 with scientific and technological innovation for promoting high-quality development. During the Reporting Period, the Company recorded revenue of RMB5,062 billion and a net profit of RMB0.478 billion. The major works of the Board for 2018 and work plan for 2019 is reported as follows:

**I. MAIN WORKS OF THE BOARD FOR THE YEAR 2018**

**1. Strengthened self development of the Board, and optimized corporate governance and standard operation**

In 2018, against the backdrop of intensified supervision of listed companies, the Board continuously strengthened self development, earnestly and diligently fulfilled its duties, promoted implementation of major decisions and improved the system and process development. In strict accordance with the requirements of the relevant laws and regulations promulgated by China Securities Regulatory Commission, Shanghai Stock Exchange and Hong Kong Stock Exchange such as the Company Law, Securities Law, CCG, Corporate Governance Code and Corporate Governance Report of Appendix 14 to the Hong Kong Listing Rules, as well as the Articles of Association, the Board earnestly fulfilled its duties required by the shareholders’ general meeting, and performed statutory duties with due diligence. The members of the Board attended Board meetings and meetings of special committees in accordance with the requirements, carefully considered each resolution, made decisions in a standard and scientific manner, discussed and formulated the corporate development strategy, exercised directors’ rights concerning regular reports for the year, and carried out various work with due diligence, which promoted sustainable, healthy and stable development of the Company.



**2. Independent non-executive Directors actively played their professional edges and earnestly performed their duties**

In 2018, the independent non-executive Directors earnestly performed their duties and actively played their professional edges in strict accordance with the Company Law, Securities Law, Guidelines for the Introduction of Independent Directors into Listed Companies, Several Regulations on Strengthening Protection of Rights and Interests of Public Shareholders, Articles of Association and Rules for the Office of Independent Directors. During the Reporting Period, the independent non-executive Directors carefully attended Board meetings and meetings of special committees, strictly deliberated on various proposals and made independent, objective and fair judgments, and issued independent opinions on significant matters such as the regular reports, external guarantee, related transaction, profit distribution, internal control appraisal reports, performance, remuneration and reappointment of annual audit organization, which protected the interests of small and medium Shareholders and the Company.

**3. Continuously enhanced information disclosure quality and proactively conducted investor relations management**

In 2018, on the principle of strictly complying with the Securities Law, Stocks Listing Rules, the Hong Kong Listing Rules and the relevant rules of the Company and strictly fulfilling the information disclosure obligations of listed companies, the Company completed 184 regular information disclosures and temporary announcement disclosures at the Shanghai and Hong Kong exchanges including acquisition of equity interests, related transactions, profit distribution and increase in shareholdings by controlling shareholders without violations against the Stocks Listing Rules and Articles of Association. The Company disclosed relevant information on the operating results, financial condition and major decisions of the Company in an accurate, timely and standardized manner, and fully performed the obligation of relevant information disclosure.

The permanent body of the Board, the Secretary to the Board's office, serves as the department for the communication of the Board and investors. The Company focused on investor relations management and maintained the investor relations through investors' hotline, Shanghai Stock Exchange E-interactive platform, reception of visits by individual and institutional investors, and on-site investigation. Meanwhile, during the Reporting Period, the Company held conferences in respect of the annual results and investor engagement in Hong Kong, which conveyed its confidence to realize sustainable development and strategy planning and objectives in future to investors, effectively promoted investors' understanding of the Company, and maintained relations between the Company and investors. Adhering 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.

**4. Sped up the planning of the main business of public utilities, and realized substantial breakthroughs in key projects**

In 2018, the Board adhered to its principle of prioritizing its principal business development and strove to lay down a solid foundation for its two principal businesses, namely gas and environment segments, based on the comprehensive analysis of domestic and foreign macroeconomic situation, industrial development tendency, core competitiveness and development phase of the enterprise. During the Reporting Period, the Company indirectly held 37.2255% equity interest in Jiangyin Tianli Gas Co., Ltd. by acquiring the equity interest in Shanghai Ruyu and Shanghai Huiran. Jiangyin Tianli has the concession rights 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. The project has a positive impact on the development of the Company's principal gas business and the improvement of its core competitiveness. The successful bid in Xuzhou Qingshanquan Dazhong Water Operation Co., Ltd. was a new expansion realized by the Company in the environment segment and represented the solid step in the external market expansion of the environment segment.

**II. MAJOR DAILY WORKS OF THE BOARD FOR 2018**

**(I) Board meetings and resolutions**

In 2018, the Company held ten Board meetings, one general meeting and nine meetings of the Board of Supervisors in total, which respectively discussed and decided on significant matters including regular reports, financial budget, financial accounts, profit distribution, investment and internal control. The Directors participated in the Board meetings on time, devoted to the interests of the Company and its shareholders, diligently performed their duties and actively safeguarded the interests of the Company and its shareholders.

1. The fifth meeting of the Tenth session of the Board was held on 29 March 2018 on site. The meeting considered and approved the Work Report of the Board of Directors for the Year 2017, Work Report of the General Manager for the Year 2017, Report of Independent Directors for the Year 2017, Final Financial Report for the Year 2017 and the Financial Budget Report for the Year 2018, Profit Distribution Plan for the Year 2017, Full Text and Summary of 2017 Annual Report, Report on Internal Control Evaluation of the Company for the Year 2017, Report on Performance of Audit Committee of the Board of Directors for the Year 2017, Corporate Social Responsibility Report for the Year 2017, Environmental, Social and Governance (ESG) Report for the Year 2017, Resolution on the 2018 Daily Related Transaction Budget of the Company, Resolution on the Application of Credit Facilities of the Company for the Year 2018, Resolution on the Provision of Guarantees for External Financing of



Controlled Subsidiary by the Company for the Year 2018, Resolution on the Proposal for Company and its Subsidiaries to Use Idle Funds for Entrusted Financing for the Year 2018, 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 Change of Accounting Policies, Resolution on the Acceptance of Equity Interests and Related Transaction, Resolution on the Adjustment of Independent Directors' Allowance, Resolution on Modifying and Handling Industrial and Commercial Registration and Resolution on Convening the Annual General Meeting for the Year 2017.

2. The sixth meeting of the Tenth session of the Board was held on 27 April 2018 by means of communication voting. The meeting considered and approved the 2018 First Quarterly Report of Dazhong Public Utilities.
3. The seventh meeting of the Tenth session of the Board was held on 3 May 2018 by means of communication voting. The meeting considered and approved the Resolution on the Joint Contributions Made by the Company and the Related Party Dazhong Transportation (Group) Co., Ltd. in Beijing Aiqi Ruidong Investment Management Center (Limited Partnership).
4. The eighth meeting of the Tenth session of the Board was held on 18 May 2018 by means of communication voting. The meeting considered and approved the Resolution on Acceptance of Equity Interests and External Investment of the Company.
5. The ninth meeting of the Tenth session of the Board was held on 31 May 2018 by means of communication voting. The meeting considered and approved the Resolution on the Change of the Joint Company Secretary.
6. The tenth meeting of the Tenth session of the Board was held on 23 July 2018 by means of communication voting. The meeting considered and approved the Resolution on the Commencement of Sale-leaseback Finance Leasing Business of Holding Subsidiary and Related Parties.
7. The eleventh meeting of the Tenth session of the Board was held on 29 March 2018 on-site. The meeting considered and approved the Resolution on the Operational Work Report of the Company for the First Half of 2018 and Work Plan for the Second Half of the Year, Full Text and Summary of 2018 Interim Report of the Company, and Resolution on the Transfer of Equity Interests and Related Transaction of the Company.

8. The twelfth meeting of the Tenth session of the Board was held on 30 October 2018 by means of communication voting. The meeting considered and approved the Resolution on 2018 Third Quarterly Report of Dazhong Public Utilities.
9. The thirteenth meeting of the Tenth session of the Board was held on 5 November 2018 by means of communication voting. The meeting considered and approved the Resolution on the Transfer of Equity Interests and Related Transaction of the Company.
10. The fourteenth meeting of the Tenth session of the Board was held on 11 December 2018 by means of communication voting. The meeting considered and approved the Resolution on the Transfer of Equity Interests and Related Transaction of the Company.

## **(II) Implementation of resolutions of general meetings by the Board**

During the Reporting Period, in strict accordance with the relevant provisions of laws and regulations and the Articles of Association, the Board earnestly fulfilled the responsibility of the convener of the general meeting, convened an annual general meeting, and considered and approved Work Report of the Board of Directors for the Year 2017, Work Report of the Board of Supervisors for the Year 2017, Final Financial Report for the Year 2017 and the Financial Budget Report for the Year 2018, Profit Distribution Plan for the Year 2017, Resolution on the 2018 Daily Related Transaction Budget of the Company, Resolution on the Application of Credit Facilities of the Company for the Year 2018, Resolution on the Provision of Guarantees for External Financing of Controlled Subsidiary by the Company, Resolution on the Proposal for 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 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 by the Company, Resolution on the Registration and Issuance of Mid-term Notes by the Company, Resolution on the Adjustment of Independent Directors' Allowance, Resolution on the Amendments on the Articles of Association and Industrial and Commercial Registration. During the Reporting Period, the Board strictly implemented the resolutions considered and approved by the general meeting and fully implemented each resolution of the meeting.

### **III. WORK DIRECTION OF THE BOARD FOR 2019**

The macroeconomic environment will be more complicated and severer in 2019. The global economic growth will experience a slowdown with a stable tendency, and the Sino-US trade problems will be the biggest uncertain factor that affects the global economy in 2019. The domestic economy is confronted with the downward pressure with changes amid stability and worries amid changes. The Board will fully assess the complexity and severity of the situation. In strict accordance with the provisions of laws and regulations and regulatory documents such as the Company Law, Securities Law, CCG, the Stocks Listing Rules and Hong Kong Listing Rules, the Board will strictly satisfy high requirements on the corporate governance level and high regulatory standards of China and Hong Kong, constantly increase the proportion of investment in significant projects of the main business of public utilities, continuously follow up opportunities for investment and acquisition of quality projects, stably expand the overseas business of the Company, and constantly optimize the external investment platform, in order to guarantee the rapid and stable business development of the Company.

In 2019, the Company will focus on the following aspects:

- 1. To grasp business opportunities of three new significant tasks of Shanghai assigned by the Central Government to formulate the company development strategy in the ensuing five years, and stably promote the business performance of the Company.**

Confronted with changes in the external environment for China's development, the State assigned three new significant tasks to Shanghai—increasing construction of new district to Shanghai Pilot Free Trade, establishing the science and technology innovation board and piloting registration system at Shanghai Stock Exchange, and implementing the integrated national development strategy in the Yangtze River Delta. In 2019, the Board will proactively grasp opportunities brought forth by the three new significant tasks to locate its position and make good arrangements in combination with situations of the Company in various aspects. It will formulate the development strategy for the ensuing five years in several aspects such as the main business layout, investment and financing management, overseas business expansion, information-based development and talent reserve, forge ahead with great confidence, and maintain stability and growth of the business performance of the Company.

**2. To constantly implement all work of the Board in accordance with regulatory requirements.**

With the background of stricter supervision by the regulators centering on information disclosure, the exchanges have stricter and detailed supervision on listed companies. In 2019, the Board will regularly organize Directors, Supervisors and senior management to carefully study regulatory rules of Shanghai and Hong Kong with reference to the latest requirements of the regulatory rules of domestic and foreign capital market and the industry, continue to implement corporate information disclosure and investor relations management, earnestly organize daily work such as implementation of resolutions of general meetings, cooperation for the regulatory authorities, conduct scientific and rational decision-making within the scope of authorization of the general meeting, make effective and timely inspection and supervision on the work of the management, actively develop a good corporate spirit and internal control culture, fulfill corporate social responsibility, and enhance the brand influence of the Company.

**3. To further enhance the corporate governance development, and improve the internal management level of the enterprise.**

In 2019, the Board will further enhance the corporate governance development, and enhance the standardized operation and governance level of the Company. The Board will further improve various rules and regulations of the Company, improve the corporate governance structure of the Company, strengthen the scientificity and transparency of decision-making, enhance the quality of information disclosure, and promote the mechanism innovation and governance optimization of the Company in accordance with relevant regulations in the Company Law, Securities Law, CCG, and the Articles of Association.

The Company will supervise the internal audit by making use of internal control, prevent operational risks internally, satisfy regulatory demands externally, and constantly enhance the risk prevention capability. 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 the internal control management.

**4. To focus on the main business of public utilities, and strive to develop new point for profit growth.**

In 2019, the Board will continue to give play to its function of strategy guidance in response to changes in the external economic and financial environment, continue to adhere to the direction of sustainable development and the principle of prioritizing its principal business development based on financing and management innovation, focus in Shanghai while develop in the Yangtze River Delta and overseas, and strive to lay down a solid foundation for its two principal businesses, namely gas and environment segments. The Board will develop its 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. Meanwhile, the Board will fully develop the reform of state-owned enterprises, transport innovation and investment layout to constantly enhance the comprehensive strength of the Company.

In 2019, confronted with great uncertainties of global macro-economy and slow down in the growth of domestic economy, the Company will perform its duties in a more diligent and responsible manner, fulfill its work tasks comprehensively and effectively, make innovations in its operation concept and management pattern while doing well in the main business, grasp opportunities to forge ahead, and return to the society with actual actions and outstanding performance, adhering to the development strategy of “simultaneous development of public utility and financial investment”.

## **APPENDIX II    WORK REPORT OF THE BOARD OF SUPERVISORS OF THE COMPANY FOR THE YEAR 2018**

The work report of the Board of Supervisors for the year ended 31 December 2018 are as follows:

In 2018, in accordance with relevant rules and regulations such as the Company Law, Articles of Association, Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rules of Procedure for the Board of Supervisors, with an aim to be responsible to all shareholders, all members of the Board of Supervisors diligently performed their duties following the principle of good faith, and supervised the financial conditions of the Company and the performance of duties by the Directors and senior management by convening meetings of the Board of Supervisors, and attending the Board meetings and shareholders' general meetings, which guaranteed the standardized operation of the Company, safeguarded the interests of investors, especially small and medium investors. The report on the works of the Board of Supervisors during the Reporting Period is as follows:

### **I.      OPERATION OF THE COMPANY ACCORDING TO LAW**

In 2018, in strict accordance with the relevant provisions of laws and regulations such as the Company Law, Securities Law and Rules of Procedures of the Board of Supervisors, as well as the Articles of Association, the Board of Supervisors earnestly fulfilled its supervision duties, strengthened supervision of the operation and management of the Company, strictly reviewed the financial reports of the Company, supervised legality and compliance of performance of duties by the Board of Directors and management of the Company, and gave full play to the supervisory role of the Board of Supervisors, which played an active role in promoting the standardized operation and healthy development of the Company, and effectively safeguarded the legitimate rights of the shareholders, employees and the Company.

The Board of Supervisors believed that, during the Reporting Period, in accordance with the provisions of relevant state laws and regulations and the Articles of Association, the Company established a sound internal management and internal control mechanism with lawful and effective major business decision-making procedures and regulated operation. The decision-making procedures for the convening, holding, submitting proposal and voting of the Board and general meeting of the Company were in compliance with the relevant provisions.

The Board of Supervisors believed that, the Board earnestly implemented various resolutions of the shareholders' general meetings with the standard operation and legitimate decision-making procedures, and safeguarded fundamental interests of shareholders and the Company. In 2018, the directors, managers and other senior management of the Company worked in a prudent, diligent and responsible manner, behaved in a clean and self-disciplined manner, and made unremitting endeavor to the sustainable and healthy development of the Company. During the Reporting Period, the Board was able to earnestly fulfill its information disclosure obligations, with timely, regulated, true, accurate and complete information disclosures free from false information, serious misleading statements or major omissions, and no disclosure of inside information occurred. The Board of Supervisors found no violations of the Company Law or Articles of Association or actions that were detrimental to the interests of the Company and its shareholders by the directors or management during the performance of duties.

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## **II.    SUPERVISION ON FINANCIAL ACTIVITIES**

In 2018, with an aim to be responsible to all Shareholders, the Board of Supervisors supervised, inspected and reviewed the financial condition and operating results of the Company. The Board of Supervisors considered that the financial management system of the Company was well-regulated and comprehensive with stable operation of finance. The financial reports formulated by the financial department reflected the financial condition, operating results and cash flow of the Company in an objective, true and accurate manner, and complied with the Enterprise Accounting System and Accounting Standards for Business Enterprises. Financial reports of the Company for each period have reflected the financial condition and operating results of the Company in an objective and true manner, and free from false information, serious misleading statements or major omissions. No violation of confidentiality provisions by those involved in the preparation and review of periodic reports were found.

During the Reporting Period, both BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited issued “standard unqualified” audit reports reflected the financial conditions and operating results of the Company for the year 2018 in an objective, fair, true and just manner.

## **III.    MEETINGS OF THE BOARD OF SUPERVISORS**

During the Reporting Period, the Board of Supervisors held nine meetings in total. The main subjects for the meetings were:

1.    The fifth meeting of the Tenth session of the Board of Supervisors was held on 29 March 2018 on-site. The meeting considered and approved the Work Report of the Board of Supervisors for the Year 2017, Final Financial Report for the Year 2017 and the Financial Budget Report for the Year 2018, Full Text and Summary of 2017 Annual Report, Profit Distribution Plan for the Year 2017, Report on Internal Control Evaluation of the Company for the Year 2017, Resolution on the 2018 Daily Related Transaction Budget of the Company, Resolution on the Application of Credit Facilities of the Company for the Year 2018, Resolution on the Provision of Guarantees for External Financing of Controlled Subsidiary by the Company for the Year 2018, 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 Change of Accounting Policies, and Resolution on the Acceptance of Equity Interests and Related Transaction.
2.    The sixth meeting of the Tenth session of the Board of Supervisors was held on 27 April 2018 by means of communication voting. The meeting considered and approved the 2018 First Quarterly Report of Dazhong Public Utilities.



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3. The seventh meeting of the Tenth session of the Board of Supervisors was held on 3 May 2018 by means of communication voting. The meeting considered and approved the Resolution on the Joint Contributions Made by the Company and the Related Party Dazhong Transportation (Group) Co., Ltd. in Beijing Aiqi Ruidong Investment Management Center (Limited Partnership).
4. The eighth meeting of the Tenth session of the Board of Supervisors was held on 18 May 2018 by means of communication voting. The meeting considered and approved the Resolution on Acceptance of Equity Interests and External Investment of the Company.
5. The ninth meeting of the Tenth session of the Board of Supervisors was held on 23 July 2018 by means of communication voting. The meeting considered and approved the Resolution on the Commencement of Sale-leaseback Finance Leasing Business of Holding Subsidiary and Related Parties.
6. The tenth meeting of the Tenth session of the Board of Supervisors was held on 30 August 2018 on site. The meeting considered and approved the Resolution on the Operational Work Report of the Company for the First Half of 2018 and Work Plan for the Second Half of the Year, Full Text and Summary of 2018 Interim Report of the Company, and Resolution on the Transfer of Equity Interests and Related Transaction of the Company.
7. The eleventh meeting of the Tenth session of the Board of Supervisors was held on 30 October 2018 by means of communication voting. The meeting considered and approved the Resolution on 2018 Third Quarterly Report of Dazhong Public Utilities.
8. The twelfth meeting of the Tenth session of the Board of Supervisors was held on 5 November 2018 by means of communication voting. The meeting considered and approved the Resolution on the Transfer of Equity Interests and Related Transaction of the Company.
9. The thirteenth meeting of the Tenth session of the Board of Supervisors was held on 11 December 2018 by means of communication voting. The meeting considered and approved the Resolution on the Transfer of Equity Interests and Related Transaction of the Company.



**IV.    OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS OF THE COMPANY FOR THE YEAR 2018**

**1.    Acquisition and sales of assets by the Company**

In 2018, the Board of Supervisors supervised and reviewed the acquisition and sale of assets by the Company. The Board of Supervisors considered that, during the Reporting Period, the transaction prices of the Company in the acquisition and sales of assets were reasonable, and no insider transactions and actions causing damage to certain shareholders' interests or loss of assets of the Company were identified, which were in compliance with the provisions of relevant laws and regulations such as the Company Law and Securities Law and the Articles of Association, and were in line with the development strategy and the requirements for production and operation development of the Company.

**2.    Related party transactions of the Company**

In 2018, the Board of Supervisors supervised and inspected all major related party transactions of the Company during the Reporting Period. The Board of Supervisors considered that, during the Reporting Period, the related party transactions between the Company and its related parties were conducted on the basis of fairness and mutual benefit following the market-oriented principle. All related party transactions were "fair, honest and open", with fair and reasonable pricing and were proceeded with relevant deliberation and disclosure procedures. The information disclosures were timely and adequate in accordance with relevant laws, rules and the Articles of Association, and free from damage to the interests of the small and medium shareholders or the Company.

**3.    External guarantees of the Company**

In 2018, the Company did not provide any guarantee to its controlling Shareholder and other related parties, and did not have any external guarantee which did not comply with regulations. The Company strictly controlled the risk of external guarantees. There is no possibility of joint liability for external guarantees, and there is no contradiction of the provisions of "Zheng Jian Fa [2003] No. 56", "Zheng Jian Fa [2005] No. 120" and the Stocks Listing Rules.

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**4.     Internal control of the Company**

During the Reporting Period, the Board of Supervisors reviewed the 2018 internal control evaluation report of the Company in a diligent and prudent manner, as well as the development and situation of the internal control system. The Board of Supervisors considered that the Company established a relatively complete internal control system, which was effectively implemented. The internal control evaluation report of the Company reflected the development and operation of the internal control system of the Company in a true and objective manner. The Company well controlled the investment, business and operational risks based on complete internal control, strengthened the learning of new rules and regulations and the regulatory departments, and constantly enhanced the corporate governance level of the Company.

**5.     Appointment of domestic and overseas accounting firms**

During the Reporting Period, the Board of Supervisors agreed to appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the domestic audit firm for the Company in 2018, and appointed BDO Limited as the overseas audit firm for the Company in 2018. The standard unqualified auditor's reports issued by the two audit firms were objective and fair, and the financial reports of the Company reflected the financial condition and operating results of the Company in a true manner.

**6.     Appointment of the internal control audit firm for the Company**

During the Reporting Period, the Board of Supervisors agreed to appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control audit firm for the Company for the year 2018. BDO China Shu Lun Pan Certified Public Accountants LLP holds audit qualification for securities and futures-related businesses. It currently provides financial audit services for the Company, and understands the operating status and financial condition of the Company, and thus is able to perform the audit on the internal control of the Company.

**7.     Implementation of resolutions of general meetings**

During the Reporting Period, the Board of Supervisors supervised the implementation of resolutions of general meetings. The Board of Supervisors considered that the Board was able to earnestly perform the relevant resolutions of general meetings. The Company has a comprehensive and independent business and self-operation capability. The controlling shareholders of the Company have 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.

**8.     Opinions on the change of accounting policies of the Company**

During the Reporting Period, the Company adjusted relevant contents of accounting policies of the Company in accordance with relevant regulations and requirements of the Ministry of Finance. The Board of Supervisors considered that, the change of accounting policies better complied with relevant regulations of the Ministry of Finance and actual situations of the Company without any damage to the interests of all the shareholders and the Company.

**9.     Information disclosure of the Company**

During the Reporting Period, the Board of Supervisors continuously supervised the internal approval procedures of information disclosure of the Company. The Board of Supervisors considered that the Company attached great importance to the standardization of information disclosure. In strict accordance with the regulatory provisions of China and Hong Kong and the requirements of the Articles of Association, Administrative Measure on Information Disclosure and Insider Registration Management and Confidentiality System on Inside Information, the secretary of the Board and the Board office of the Company are responsible for the disclosure of information and management of investor relations. The Company provided timely, accurate, true, complete and fair information for investors, so that investors could have a more objective and comprehensive understanding on the Company, which was conducive to improving the reputation and image of the Company in the capital market, and guaranteeing the timeliness and consistency of information disclosure at A+H listing places.

**10.   Implementation of insider management system on insider information by the Company**

As verified by the Board of Supervisors, during the Reporting Period, the Company kept the insider information confidential and made information disclosure in a fair manner in strict accordance with the Insider Registration Management and Confidentiality System on Inside Information, which safeguarded the legitimate interests of various investors. During the Reporting Period, the Company did not use any insider information for illegal trading.

**V.    WORK PROSPECTS FOR 2019**

In 2019, the Board of Supervisors will continue to strictly implement the relevant provisions of the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association, faithfully perform its duties, supervise and inspect the operation behavior of the Board of Directors and senior management. Meanwhile, the Board of Directors will continue to strengthen the function of supervision, earnestly perform its duties, actively attend Board meetings and general meetings and relevant office meeting according to the law, and promptly

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guarantee the legality and compliance of significant decision-making items and procedures, in order to further promote the standardized operation of the Company. Meanwhile, the members of the Board of Supervisors will constantly strengthen learning of laws, rules and relevant regulations, enhance the standardized operation consciousness and ability of duty performance, and give better play to the supervisory function of the Board of Supervisors.

The final financial report for the year 2018 and the financial budget report for the year 2019 of the Company are as follows:

## I. KEY FINANCIAL INDICATORS FOR 2018

(Prepared in accordance with the 2018 final consolidated financial statement of the Company)

Indicator	Unit	2018	2017	Changes (%)
Total revenue	RMB0,000	506,238	474,195	6.76
Total profit	RMB0,000	48,893	62,734	-22.06
Net profit	RMB0,000	42,933	55,550	-22.71
Net profit attributable to owners of the parent company	RMB0,000	47,849	47,413	0.92
Weighted average return on net assets	%	5.1	6.73	Decreased by 1.63 percentage points
Net assets per share	RMB	2.51	2.43	3.29
Earnings per share	RMB	0.16	0.16	0
Net cash flows from operating activities per share	RMB	0.09	0.17	-47.06

## II. FINANCIAL CONDITION OF THE COMPANY IN 2018

### 1. Asset structure of the Company

As of 31 December 2018, total assets of the Company amounted to RMB21,222 million, representing an increase of RMB822 million as compared with RMB20,400 million at the beginning of the year. Among the total assets of the Company, current assets amounted to RMB6,109 million, representing a decrease of RMB760 million as compared with RMB6,869 million at the beginning of the year, in which currency capital decreased by RMB1,897 million, financial assets at fair value through profit or loss increased by RMB1,445 million, trade receivables increased by RMB120 million, other receivables decreased by RMB306 million and inventories increased by RMB15 million. Current assets accounted for 28.79% of total assets, representing a decrease of 4.88 percentage points as compared with 33.67% at the beginning of the year. Non-current assets amounted to RMB15,113 million, representing an increase of RMB1,582 million as compared with RMB13,531 million at the beginning of the year, in which available for sale financial assets decreased by RMB893 million, investments in associates increased by RMB1,595 million, property, plant and equipment increased by RMB307 million, intangible assets increased by RMB368 million and goodwill increased by RMB13 million as compared with that at the

beginning of the year. Non-current assets accounted for 76.21% of total assets, representing an increase of 4.88 percentage points as compared with 66.33% at the beginning of the year.

In the industry distribution of long-term investment of RMB9,398 million of the parent in 2018, transportation industry amounted to RMB1,811 million, accounted for 19.27% of total investments of the Company; gas, municipal and environmental industry assets amounted to RMB2,872 million, accounted for 30.38% of total investments of the Company; financial investment amounted to RMB4,133 million, accounted for 43.71% of total investments of the Company; other investments amounted to RMB583 million, accounted for 6.16% of total investments of the Company.

## **2. Assets and liabilities and solvency**

As of 31 December 2018, total liabilities of the Company amounted to RMB12,697 million, representing an increase of RMB600 million as compared with RMB12,097 million at the beginning of the year. Gearing ratio was 59.83%, representing an increase of 0.53 percentage point as compared with 59.30% of the previous year. Guarantees for controlled subsidiaries amounted to RMB1.527 billion, accounted for 20.63% of net assets of the Company. Among which, current liabilities amounted to RMB6.428 billion, representing a decrease of RMB2.185 billion as compared with that at the beginning of the year, which was mainly attributable to the repayment of corporate bonds of RMB1.6 billion and ultrashort-term financing bills of RMB1 billion at the beginning of the year.

## **3. Asset profitability**

In 2018, the Company's return on net assets was 5.1%, representing a decrease of 1.63 percentage point as compared with 6.73% of the corresponding period of the previous year.

## **4. Operating results of the Company**

In 2018, the Company recorded a total revenue of RMB5,062 million, representing an increase of 6.76% as compared with RMB4,742 million of the corresponding period of the previous year. Consolidated total profit amounted to RMB489 million; consolidated net profit amounted to RMB429 million; and net profit attributable to owners of the parent company amounted to RMB478 million, representing a decrease of 22.06%, 22.71% and an increase of 0.92%, respectively, as compared with that of the corresponding period of the previous year.

The operation of major investment segments of the Company were as follows:

(1) *Transportation*

In 2018, 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. In 2018, it recorded an operating revenue of RMB3,557 million, which surpassed its business target.

In 2018, the Company acquired 80% equity interest in Dazhong Run Logistics, 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 Logistics 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.

(2) *Gas, municipal and environmental segments*

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. In 2018, it recorded an operating revenue of RMB3,669 million.

In 2018, 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, 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). In 2018, it achieved various business indicators and recorded an operating revenue of RMB931 million.



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). The business indicators of principal activities to achieve good performance, and the overall performance of the enterprises showed a stable upward trend of development.

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.\* (浙江省建德市燃氣公司). The project has a positive impact on the development of the Company's principal gas business and the improvement of its core competitiveness.

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. In 2018, a total of 64.54 million tons was disposed with average of 176,800 tons per day.

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. In 2018, a total of 79.30 million tons was disposed with average of 217,300 tons per day.

The municipal infrastructure projects funded and constructed by the Company: Xiangyin Road tunnel operated with high efficiency and safety and recorded stable concession income. In 2018, special subsidy of RMB87.41 million was received.

Xiaoshan sewage treatment project: In 2018, the annual investment return payment of RMB19.1544 million paid by Xiaoshan Water Group\*(蕭山水務集團) has been received on time and in full.



(3) *Financial Investment Business Sector*

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. In 2018, the Company recorded operating revenue of RMB125 million, with loan principal and interest to account ratio of 95.3% and non-performing loan ratio of 1.88%.

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.

In 2018, Shengyue Network Technology (Shanghai) Co., Ltd.\*(盛躍網絡科技(上海)有限公司)(i.e. Sheng Da Game Project) invested by Hua Can Fund\*(華璨基金) to which the Company partnered, will be to consolidated into the listing entity (Shiji Huatong). In February 2019, the reorganization for listing of Shengyue Network has been reviewed and approved with conditions by the Listed Companies Merger and Reorganisation Review Committee of the CSRC (中國證監會上市公司並購重組審核委員會). In 2018, Hua Can Fund\*(華璨基金) has completed its investment in Shanghai Taiheshui Environmental Technology Development Co., Ltd through Shanghai Huachong Fund\*(上海華翀基金).

In 2018, Dazhong Hong Kong has completed following projects: Douyu live program invested by through BC Capital Fund with US\$10 million has started the overseas listing process; Completed the subscription of US\$50 million for bonds of Zhenro Properties; Investment in Hainan Airlines Project of HK\$233 million through INFINI CAPITAL L.P. and successfully recovered its principal and return on investment in 2018.

In 2018, Shenzhen Capital Group Co., Ltd.\*(深圳市創新投資集團有限公司), in which the Company has participated, has increased its shareholdings in 7 newly listed companies, bringing the total number of listed companies to 142. The number of enterprises and the number of listed enterprises invested by Shenzhen Capital are ranked first in the domestic venture capital industry, and it is one of the most competitive domestic venture capital companies with the largest capital scale, the strongest investment ability. Shenzhen Capital successfully completed the various business indicators with the substantial growth in performance for the year.

### III. FINANCIAL BUDGET OF THE COMPANY FOR THE YEAR 2019

In 2019, the Company will continue to adhere to the enterprise development strategy of “simultaneous development of public utility and financial investment”, consolidate the principal business of public utility, make arrangements for the high-quality projects to boost superior quality development, steadily expand the overseas business arrangements, constantly optimize the platforms for overseas investment and further promote the competitiveness and influence of the Company.

#### I. **Operation target: The principal business and profit of the Company in 2019 are to maintain steady growth.**

The main operation targets for each sector are as follows:

##### *(i) Transportation*

In 2019, Dazhong Transportation will uphold the core thought of “customer-centered and promoting development through reform”, break the mindset, embrace change, facilitate the application of big data and enhance service quality. On one hand, Dazhong considers the situation comprehensively, develop the short-term tactics based on the specific circumstance and carry out the current work well in a down-to-earth way; and on the other hand, it gathers the potential with foresight, expect the development direction of the society and industry and draw up a blueprint for long-term development.

##### *(ii) Gas sector*

In 2019, for the gas sector, the Company will devote greater efforts to the follow-up management of new projects and expansion of gas industry chain, with the industrial chain expanding from unitary sales of piped natural gas to natural gas source, project construction and LNG sales. Under the national strategic background of “the Belt and Road Initiative”, by comprehensively analyzing such factors as national policies for overseas development, project operation cost and political nature of investment the Company will actively promote the mergers and acquisitions of high quality overseas principal business projects, diversify allocation of overseas assets and continuously improve the core competitiveness of the Group.

##### *(iii) Municipal and environmental sector*

With more importance attached to environmental protection by the State, the big regulatory pattern for water, soil, solid waste and gas has been formed. In 2019, in terms of the environment sector, the Company will continuously improve the operation and management level through acceleration of key technical equipment renovation and transformation and

more efforts in technical personnel introduction, so as to ensure that such key environmental indicators as “sewage, exhaust gas, sludge and effluent” conform to the regulatory requirements. As to Xiangyin Road tunnel, the Company will continue to complete the daily operation & management and security guarantee.

*(iv) Financial investment sector*

The Company will stay committed to the development strategy of “public utility and financial investment advancing neck and neck” and never give up any investment opportunity. In terms of overseas investment platform, while sharing its steady accomplishments, the Company will also intensify cooperation in the aspect of quality investment opportunities; with respect to proprietary finance industry, the Company will constantly explore the new business model, expand the cooperation opportunity with other high quality platform, in an orderly way, so as to achieve the balanced and sound development of investment projects.

**II. Financing target:**

Continuous efforts will be made to diversify the financing channels and more efforts to financing. The Company will carry out the main credit rating and maintenance, renewal of registration for issuance of debt financing tools and complete various financing work according to the financing needs and market conditions for the Company in 2019, in utilization of various financing methods, further optimizing the financial structure of the Company and promoting the fund management level and increasing the yield on idle funds, repaying the principal and interests of bonds issued and debts, thus maintaining the smooth operation of company funds.

**III. Investment target:**

In 2019, the Company will unswervingly implement the principle of priority to principal business development, highlight the principal business of public utilities, effectively promote the progress of project construction and carry out upstream and downstream extension at home and abroad, in full use of all investment platforms, stepping up the overall arrangement of financial investment industry, with continuous adjustment, optimizing the pattern of overseas investment abroad and promoting the overall optimal allocation of enterprise resources for the Company.

In 2019, the Company will further boost the momentum for sustained development, speed up informatization construction, standardize the internal management level, optimize and improve the management system and strictly meet the demanding requirements for governance level of the Company and the high standards for regulations in two places. Moreover, the Company will persist in innovation and steady development and reward the shareholders and the society with good business performance.

Profit distribution proposal of the Company for the year 2018 is as follows:

The net profit attributable to owners of the parent company of 2018 amounted to RMB478,488,753.97. The parent company's profit after tax amounted to RMB316,600,158.14. According to the Company Law and the Articles of Association, the Company's distribution plan is as follows:

Based on the net profit of the parent company in 2018, a 10% statutory reserve in the amount of RMB31,660,015.81 is provided, with the addition of the undistributed profit carried over from 2017 in the amount of RMB707,155,446.47, less the distributed amount of RMB177,146,080.50 in 2018, the total distributable profits amounted to RMB814,949,508.3. Based on the total share capital of 2,952,434,675 shares as at 31 December 2018, a proposed cash dividend of RMB0.60 (tax inclusive) for every 10 shares or a total profit of RMB177,146,080.50 will be distributed. The undistributed profit of RMB637,803,427.80 shall be outstanding for distribution next year.

Pursuant to the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Guidelines for the Implementation of Related Party Transactions of Companies Listed on the Shanghai Stock Exchange (《上海證券交易所上市公司關聯交易實施指引》), and taken into consideration of the operating requirements of the Company, the estimated ordinary related party transactions of the Company and its subsidiaries for 2019 are as follows:

1. Dazhong Gas and Nantong Dazhong Gas and other subsidiaries of the Company acquired natural gas and LNG from Shanghai Gas Group, the second largest shareholder of the Company and Dazhong Gas leased an office premise from Shanghai Gas Group.
2. The Company and its subsidiaries leased office space, conference room and catering and accommodation service from Shanghai Dazhong Building Co., Ltd. due to office operation needs.

**I. ESTIMATED AMOUNT AND TYPES OF ORDINARY RELATED PARTY TRANSACTIONS**

*Unit: RMB0,000*

Name of related party	Type of related party transaction	Subject of related party transaction	Pricing method for related party transaction	Estimated amount for 2019 <i>Amount</i>	Amount incurred in 2018 <i>Amount</i>
Shanghai Gas (Group) Co., Ltd.	Purchase raw materials from related party	Purchase natural gas and LNG	Government pricing	350,000	299,318.60
Shanghai Gas (Group) Co., Ltd.	Lease assets from related party	Lease office premises	Market fair value	490	472.38
Shanghai Dazhong Building Co., Ltd.	Lease assets from related party	Lease office premises	Market fair value	600	489.64

**II. BACKGROUND OF AND RELATIONSHIP WITH RELATED PARTY****(I) Background of related party**

Related party one – Shanghai Gas (Group) Co., Ltd.

1. Company name: Shanghai Gas (Group) Co., Ltd.
2. Nature of company: Limited liability company (sole proprietorship invested or controlled by a non-natural person)
3. Legal representative: Wang Zhehong (王者洪)
4. Registered capital: RMB4,200 million
5. Substantial shareholder(s) and history: The company was jointly established by Shenergy (Group) Company Limited (申能(集團)有限公司) and Shanghai Municipal Construction, Investment and Development Company (上海市城市建設投資開發總公司) and is currently a wholly-owned subsidiary of Shenergy (Group) Company Limited.
6. Main business: Investment, construction, operation and management of natural gas pipeline network and its distribution facilities (including the West-East Gas Pipeline), and investment, transformation and management of gas pipelines and gas production enterprises. Date of establishment: 12 February 2004
7. Address: Room 1008, 958 Lu Jia Zui Ring Road, Shanghai, PRC
8. As of 31 December 2018, the total asset was RMB 25.33billion, the net asset was RMB 11.45 billion. The revenue from principal business was RMB23.05 billion and the net profit attributable to the parent company was RMB0.7 billion (all of which are unaudited data).

Related party two – Shanghai Dazhong Building Co., Ltd.

1. Company name: Shanghai Dazhong Building Co., Ltd.
2. Nature of company: Limited liability company (joint venture between a foreign investment enterprise and a Chinese-funded enterprise)
3. Legal representative: Zhang Jing (張靜)
4. Registered capital: RMB200 million
5. Substantial shareholder(s): 100% of the shares held by Dazhong Transportation (Group) Co., Ltd.
6. Main business: Accommodation, self-owned premise leasing, conference services, etc.. Date of establishment: 17 October 1995
7. Address: 1515 Zhongshan West Road, Shanghai, PRC
8. As of 31 December 2018: Total assets of RMB267,000,000, net assets of RMB200,000,000, revenue from main business for the year of 2018 of RMB37,995,600, and net profit of RMB10,504,600 (all of which are unaudited data).

- (II) As Shanghai Gas (Group) Co., Ltd. is the second largest shareholder of the Company and holds 5.21% of the shares of the Company, pursuant to the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the purchase of natural gas business and lease of office premises of Dazhong Gas, a subsidiary of the Company, from Gas Group, and the purchase of LNG business of Nantong Dazhong Gas, a subsidiary of the Company, from Gas Group constitute ordinary related party transactions.

As Shanghai Dazhong Building Co., Ltd. is a wholly-owned subsidiary of Dazhong Transportation (Group) Co., Ltd. and Mr. Yang Guoping, being the Chairman of the Company, Mr. Liang Jiawei, being a Director, and Ms. Zhao Siyuan, being a Supervisor, are also directors of Dazhong Transportation (Group) Co., Ltd., and the Company is the largest shareholder of Dazhong Transportation (Group) Co., Ltd., pursuant to the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the lease of office premises between the Company and its subsidiaries and Dazhong Building constitutes a related party transaction.

- (III) Dazhong Gas and Nantong Dazhong Gas purchase natural gas and LNG business from Shanghai Gas Group, and Dazhong Gas leases office premises from Shanghai Gas Group. The lease of office premises and the purchase of commercial service of the Company and its subsidiaries from Dazhong Building are for normal operation requirements of the enterprise.

### **III. PRICING POLICIES FOR RELATED PARTY TRANSACTIONS**

All of the transactions between the Company and its subsidiaries with related party were fair, honest and reasonable.

1. Due to business requirements, Dazhong Gas and Nantong Dazhong Gas have to purchase natural gas and LNG from Shanghai Gas Group every year. The parties to the related party transactions will determine the purchase and sale prices in accordance with the relevant regulations of the state and guidance of government authorities. The Board proposed to the general meeting to authorize the management of the two companies to be specifically responsible for relevant works such as the measurement of gas volume, audit of amount and signing of agreements.
2. Due to office operation requirements, Dazhong Gas has to lease office premises from Shanghai Gas Group every year. The parties to the related party transaction shall determine the rent in accordance with market fair value.
3. Due to office operation requirements, the Company and its subsidiaries have to lease office premises from Dazhong Building every year. The parties to the related party transactions shall determine the rent in accordance with market fair value.

### **IV. PURPOSE OF RELATED PARTY TRANSACTIONS AND IMPACT ON THE COMPANY**

The above related party transactions are all undertaken for normal operation requirements, and the sustainable and stable operation of the Company and its subsidiaries can be assured. The transactions will not jeopardise the interests of the Company and have no adverse impact on the current and future financial conditions and operating results of the Company.



The details of the resolution on the application of bank credit facilities of the Company and its subsidiaries of 2019 are as follows:

Pursuant to the capital requirements for business development of the Company in 2018, the Company and its subsidiaries plan to apply for composite credit facilities in a total amount of not more than RMB17 billion (foreign currency translation inclusive) from banks and other financial institutions in 2019. The final amount of credit facilities shall be the actual amount approved by all financial institutions. The validity period shall begin from the date on which the resolution is considered and approved at the 2018 AGM to the date on which the next annual general meeting of the Company is held.

The types of composite credit facilities include, but are not limited to, short-term working capital loans, medium and long-term borrowings, bank acceptance bills, guarantees, letters of credit and mortgage loans. Conditions such as specific credit limits, terms, interest rates and guarantee methods shall be stated in the final contract or agreement signed between the Company and the relevant financial institutions.

It is proposed to the general meeting by the Board to authorize the management of the Company to divide and adjust the credit limits for the applications to all banks and other financial institutions within the aforesaid limits in accordance with the requirements for business development, determine the specific conditions for the application of credit facilities, such as cooperative financial institutions, interest rates and terms, and execute relevant agreements and other documents.

<p><b>APPENDIX VII                      RESOLUTION ON THE PROPOSAL OF THE PROVISION OF GUARANTEE FOR CONTROLLED SUBSIDIARIES WITH RESPECT TO THEIR EXTERNAL FINANCING</b></p>
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Pursuant to the relevant provisions of the Company Law of the People's Republic of China and the Notice on the Regulation of External Guarantees by Listed Companies (CSRC [2005] No. 120) jointly issued by the China Securities Regulatory Commission and China Banking Regulatory Commission, taken into consideration of the asset position of the Company as at the end of 2018 and the actual requirements for operation in 2019 and the future development of all controlled subsidiaries, following the principle of "reasonable allocation and effective use", the Company proposed following resolutions regarding to the external guarantees in 2019 is as follows:

## **I. OVERVIEW OF GUARANTEES**

1. In 2019, the Company will provide guarantees for the financing businesses of controlled subsidiaries of the Company, namely Shanghai Dazhong Municipal Development Co., Ltd. (上海大眾市政發展有限公司), Shanghai Xiangyin Road Tunnel Construction Development Co., Ltd. (上海翔殷路隧道建設發展有限公司), Shanghai Dazhong Environment Industry Co., Ltd. (上海大眾環境產業有限公司), Shanghai Dazhong Jiading Sewage Co., Ltd. (上海大眾嘉定污水處理有限公司), Hangzhou Xiaoshan Qiantang Sewage Co., Ltd. (杭州蕭山錢塘污水處理有限公司), Jiangsu Dazhong Water Group Co., Ltd. (江蘇大眾水務集團有限公司), Xuzhou Fountainhead Sewage Co., Ltd. (徐州源泉污水處理有限公司), Peixian Fountainhead Water Operation Co., Ltd. (沛縣源泉水務運營有限公司), Lianyungang West Lake Sewage Co., Ltd. (連雲港西湖污水處理有限公司), Pizhou Fountainhead Water Operation Co., Ltd. (邳州源泉水務運營有限公司), Xuzhou Dazhong Water Operation Co., Ltd. (徐州大眾水務運營有限公司), Xuzhou Jiawang Dazhong Water Operation Co., Ltd. (徐州市賈汪大眾水務運營有限公司), Shanghai Dazhong Gas Co., Ltd. (上海大眾燃氣有限公司), Shanghai Dazhong Gas Investment Developing Co., Ltd. (上海大眾燃氣投資發展有限公司), Nantong Dazhong Gas Co., Ltd. (南通大眾燃氣有限公司), Shanghai Dazhong Group Capital Equity Investment Co., Ltd. (上海大眾集團資本股權投資有限公司), Shanghai Dazhong Assets Management Co., Ltd. (上海大眾資產管理有限公司), Shanghai Dazhong Financial Leasing Co., Ltd. (上海大眾融資租賃有限公司), Shanghai Dazhong Transportation Commerce Co., Ltd. (上海大眾交通商務有限公司), Shanghai Zhonggong Information Service Co., Ltd. (上海眾貢信息服務有限公司), Dazhong (Hong Kong) International Corporation Limited (大眾(香港)國際有限公司), Dazhong (Vietnam) International Co., Ltd. (大眾(越南)國際有限公司), Shanghai Dazhong Run Logistics Shares Co., Ltd.\* (上海大眾運行物流股份有限公司), Shanghai Ruyu Energy Investment Co., Ltd.\* (上海儒馭能源投資公司), Xuzhou Qingshanquan Dazhong Water Operation Co., Ltd. (徐州青山泉大眾水務運營有限公司), Shanghai Dazhong Run Supply Chain Management Co., Ltd. (上海大眾運行供應鏈管理有限公司), Fretum Construction & Engineering Enterprise Limited, Galaxy Building & Development Corporation Limited, Ace Best Investing Management Corporation Limited, Interstellar Capital Investment CO., Limited and Allpay (International) Finance Service Corporation Limited, Platinum Capital Investment Corporation Limited, Ultra Partner Limited, Century Charm Limited, Jiangsu Dazhong Environment Governance Co., Ltd. (江蘇大眾環境

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治理有限公司) (establishing) and new controlled subsidiaries during the year, with a maximum total guarantee amount of RMB10 billion (foreign currency translation inclusive) and maximum guarantee balance of RMB5 billion (foreign currency translation inclusive). The date and place of signing of guarantee agreement are determined in accordance with the requirements of the guaranteed party.

2. As the agreement has not yet been signed, the above approved limit of guarantee is only an estimate of the Company. The major terms of the specific guarantee agreement are jointly determined by the Company and the subsidiaries guaranteed and the bank.

Where the guarantor is the same party, it may adjust the guarantee of the guaranteed party as stipulated in the guarantee proposal within the total amount of guarantee.

Where the guarantor is the same party, it may provide guarantee to parties other than the guaranteed party as stipulated in the guarantee proposal within the total guarantee amount for wholly-owned and controlled subsidiaries whose gearing ratio does not exceed 70%. The guarantees of Shanghai Dazhong Financial Leasing Co., Ltd., Shanghai Dazhong Gas Co., Ltd., Jiangsu Dazhong Water Group Co., Ltd. and its subsidiaries, Jiangsu Dazhong Environment Governance Co., Ltd. (establishing), Shanghai Dazhong Jiading Sewage Co., Ltd., Shanghai Zhonggong Information Service Co., Ltd., Shanghai Dazhong Run Logistics Shares Co., Ltd.\* and its subsidiaries, Dazhong (Hong Kong) International Corporation Limited and its subsidiaries are not subject to the restriction of not exceeding 70% of gearing ratio of the paragraph.

The above limit adjustment can be carried out between wholly-owned subsidiaries or controlled subsidiaries. The guarantee amount of the Company can be adjusted between wholly-owned subsidiaries and controlled subsidiaries.

## **II. BASIC INFORMATION OF GUARANTEED PARTIES**

### **(i) Shanghai Dazhong Municipal Development Co., Ltd.**

1. Company name: Shanghai Dazhong Municipal Development Co., Ltd.
2. Registered address: Room 2122, 29 Kangshi Road, Kangqiao Town, Pudong New Area, Shanghai, PRC
3. Legal representative: Jin Bo (金波)
4. Business scope: Investment in municipal infrastructure projects such as various urban roads, highways, tunnels, bridges, airport runways, and the relevant ancillary facilities.

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5. As of 31 December 2018: Total assets of RMB163,490,900, total current liabilities of RMB69,700, total liabilities of RMB67,900, net assets of RMB163,423,000, for the year 2018: operating revenue of nil, and net profit of RMB-193,400.
6. Associated relationship or other relationships with the Company: Wholly-owned subsidiary

**(ii) Shanghai Xiangyin Road Tunnel Construction Development Co., Ltd.**

1. Company name: Shanghai Xiangyin Road Tunnel Construction Development Co., Ltd.
2. Registered address: Room 2120, 29 Kangshi Road, Kangqiao Town, Pudong New Area, Shanghai, PRC
3. Legal representative: Jin Bo (金波)
4. Business scope: Development of relevant industries for tunnels and operation of tunnels.
5. As of 31 December 2018: Total assets of RMB642,102,500, total long-term borrowings due within one year of RMB70,000,000, total current liabilities of RMB310,093,900, total liabilities of RMB310,093,900, net assets of RMB332,008,600, for the year 2018: operating revenue of RMB15,225,700, and net profit of RMB15,396,100.
6. Associated relationship or other relationships with the Company: Controlled subsidiary

**(iii) Shanghai Dazhong Environment Industry Co., Ltd.**

1. Company name: Shanghai Dazhong Environment Industry Co., Ltd.
2. Registered address: Room 2121, 29 Kangshi Road, Kangqiao Town, Pudong New Area, Shanghai, PRC
3. Legal representative: Yang Weibiao (楊衛標)
4. Business scope: Investment in urban tap water supply and sewage treatment projects, investment in infrastructure of solid waste treatment projects, etc.

APPENDIX VII	RESOLUTION ON THE PROPOSAL OF THE PROVISION OF GUARANTEE FOR CONTROLLED SUBSIDIARIES WITH RESPECT TO THEIR EXTERNAL FINANCING
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5. As of 31 December 2018: Total assets of RMB499,510,600, total current liabilities of RMB17,522,500, total liabilities of RMB17,522,500, net assets of RMB481,988,100, for the year 2018: operating revenue of nil, and net profit of RMB-2,934,900.
6. Associated relationship or other relationships with the Company:  
Controlled subsidiary

**(iv) Shanghai Dazhong Jiading Sewage Co., Ltd.**

1. Company name: Shanghai Dazhong Jiading Sewage Co., Ltd.
2. Registered address: 1720 Jialuo Road, Jiading District, Shanghai, PRC
3. Legal representative: Yang Weibiao (楊衛標)
4. Business scope: Collection and treatment of domestic sewage and industrial wastewater, etc.
5. As of 31 December 2018: Total assets of RMB876,759,400, total non-current liabilities due within one year of RMB127,943,800, total current liabilities of RMB228,592,700, total long-term borrowings of RMB234,753,500, total liabilities of RMB563,091,600, net assets of RMB313,667,800, for the year 2018: operating revenue of RMB187,484,500, and net profit of RMB53,167,300.
6. Associated relationship or other relationships with the Company:  
Controlled subsidiary

**(v) Hangzhou Xiaoshan Qiantang Sewage Co., Ltd.**

1. Company name: Hangzhou Xiaoshan Qiantang Sewage Co., Ltd.
2. Registered address: 99 Tonghui Middle Road, Xiaoshan District, Hangzhou, PRC
3. Legal representative: Yang Weibiao (楊衛標)
4. Business scope: Investment, construction and relevant services for the treatment of industrial sewage and domestic sewage in eastern Xiaoshan District.

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5. As of 31 December 2018: Total assets of RMB194,314,500, total current liabilities of RMB14,441,900, total liabilities of RMB14,441,900, net assets of RMB179,872,600, for the year 2018: operating revenue of nil, and net profit of RMB34,200.
6. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(vi) Jiangsu Dazhong Water Group Co., Ltd.**

1. Company name: Jiangsu Dazhong Water Group Co., Ltd.
2. Registered address: Sanbahe, Qiaojiahu Village, Xuzhou, PRC
3. Legal representative: Yang Jicai (楊繼才)
4. Business scope: Design and construction of environmental engineering and water treatment engineering, operational management services, technical consultation, production and sales of recycled water, sales of construction materials and chemical products, operation of non-financial assets, construction, operation and management of photovoltaic power stations, property leasing, site leasing.
5. As of 31 December 2018: Total assets of RMB169,683,500, total short-term borrowings of RMB19,000,000, total current liabilities of RMB94,371,800, total liabilities of RMB94,371,800, net assets of RMB75,311,700, in 2018, operating revenue of RMB270,900, and net profit of RMB-2,366,600.
6. Associated relationship or other relationships with the Company: Controlled subsidiary

**(vii) Xuzhou Fountainhead Sewage Co., Ltd.**

1. Company name: Xuzhou Fountainhead Sewage Co., Ltd.
2. Registered address: Xuzhou Industrial Park (100 meters south of the intersection of National Highway 310 and National Highway 206), PRC
3. Legal representative: Lu Xuanhui (呂宣惠)
4. Business scope: Collection, treatment and deep purification of sewage, operation services for sewage treatment and recycling of sewage.

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5. As of 31 December 2018: Total assets of RMB39,804,600, total current liabilities of RMB9,702,300, total liabilities of RMB13,086,900, net assets of RMB26,717,700, in 2018, operating revenue of RMB9,090,000, and net profit of RMB2,892,500.
6. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(viii) Peixian Fountainhead Water Operation Co., Ltd.**

1. Company name: Peixian Fountainhead Water Operation Co., Ltd.
2. Registered address: West of East Ring Road, Pei County, south of Yanhe Bridge, PRC
3. Legal representative: Lv Xuanhui (呂宣惠)
4. Business scope: Collection, treatment and deep purification of sewage.
5. As of 31 December 2018: Total assets of RMB56,623,900, total current liabilities of RMB24,823,500, total long-term borrowings of RMB1,900,000, total liabilities of RMB32,131,000, net assets of RMB24,492,900, in 2018, operating revenue of RMB15,061,000, and net profit of RMB5,248,200.
6. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(ix) Lianyungang West Lake Sewage Co., Ltd.**

1. Company name: Lianyungang West Lake Sewage Co., Ltd.
2. Registered address: Southwest side of West Area, Donghai County Economic Development Zone, PRC
3. Legal representative: Wang Jian (王健)
4. Business scope: Sewage treatment and recycling.
5. As of 31 December 2018: Total assets of RMB38,781,600, total current liabilities of RMB3,663,100, total liabilities of RMB8,011,600, net assets of RMB30,770,000, in 2018, operating revenue of RMB9,420,700, and net profit of RMB2,127,800.



APPENDIX VII	RESOLUTION ON THE PROPOSAL OF THE PROVISION OF GUARANTEE FOR CONTROLLED SUBSIDIARIES WITH RESPECT TO THEIR EXTERNAL FINANCING
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6. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

**(x) Xuzhou Dazhong Water Operation Co., Ltd.**

1. Company name: Xuzhou Dazhong Water Operation Co., Ltd.
2. Registered address: Sanbahe Sewage Treatment Plant, Qiaojiahu Village, Xuzhou, PRC
3. Legal representative: Lv Xuanhui (呂宣惠)
4. Business scope: Collection, treatment and deep purification of sewage, operation services for sewage treatment and recycling of sewage, development, transfer, consultation and services of environmental protection technology.
5. As of 31 December 2018: Total assets of RMB66,250,700, total current liabilities of RMB2,058,900, total liabilities of RMB7,978,200, net assets of RMB58,272,500, in 2018, operating revenue of RMB21,058,800, and net profit of RMB6,232,700.
6. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

**(xi) Xuzhou Jiawang Dazhong Water Operation Co., Ltd.**

1. Company name: Xuzhou Jiawang Dazhong Water Operation Co., Ltd.
2. Registered address: Xuzhou Industrial Park (100 meters south of the intersection of National Highway 310 and National Highway 206), Jiangsu province, PRC
3. Legal representative: Lv Xuanhui (呂宣惠)
4. Business scope: Collection, treatment and deep purification of sewage, operation services for sewage treatment and recycling of sewage.
5. As of 31 December 2018: Total assets of RMB51,516,200, total long-term borrowings due within one year of RMB3,000,000, total current liabilities of RMB37,244,600, total long-term borrowings of RMB2,490,000, total liabilities of RMB40,386,800, net assets of RMB11,129,400. In 2018, operating revenue of RMB8,285,500, and net profit of RMB2,576,800.

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6. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

**(xii) Pizhou Fountainhead Water Operation Co., Ltd.**

1. Company name: Pizhou Fountainhead Water Operation Co., Ltd.
2. Registered address: 500 meters east of Zhendong Village, Yunhe Town, Pizhou, PRC
3. Legal representative: Lv Xuanhui (呂宣惠)
4. Business scope: Sewage treatment and operation.
5. As of 31 December 2018: Total assets of RMB58,047,700, total long-term borrowings due within one year of RMB5,000,000, total current liabilities of RMB780,100, total long-term borrowings of RMB1,561,400, total liabilities of RMB14,817,300, net assets of RMB43,230,400. In 2018, operating revenue of RMB14,967,300, and net profit of RMB4,463,900.
6. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

**(xiii) Shanghai Dazhong Gas Co., Ltd.**

1. Company name: Shanghai Dazhong Gas Co., Ltd.
2. Registered address: 309 Fushan Road, China (Shanghai) Pilot Free Trade Zone
3. Legal representative: Yang Guoping (楊國平)
4. Business scope: planning, design and construction of gas, natural gas, gas meters, gas equipment appliances, gas kitchen equipment, gas distribution and gas projects, construction of municipal public construction projects, professional construction of pipeline construction projects.
5. As of 31 December 2018: Total assets of RMB4,896,474,800, total short-term borrowings of RMB300,000,000, total current liabilities of RMB2,913,546,900, total liabilities of RMB3,566,396,800, net assets of RMB1,330,078,000. In 2018, operating revenue of RMB3,669,091,700, and net profit of RMB-181,053,900.

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6. Associated relationship or other relationships with the Company:  
Controlled subsidiary

**(xiv) Shanghai Dazhong Gas Investment Developing Co., Ltd.**

1. Company name: Shanghai Dazhong Gas Investment Developing Co., Ltd.
2. Registered address: Room 1226, 2575 Hunan Road, Kangqiao Town, Pudong New Area (Kangqiao), Shanghai, PRC
3. Legal representative: Yang Guoping (楊國平)
4. Business scope: Asset management, corporate management, domestic commerce, asset restructuring, asset custody and relevant business consultation, economic and trade information consultation, investment in urban public utilities such as gas, transportation, water and environmental protection, industrial investment.
5. As of 31 December 2018: Total assets of RMB143,734,400, total current liabilities of RMB161,600, total liabilities of RMB161,600, net assets of RMB143,572,800. In 2018, operating revenue of RMB nil, and net profit of RMB17,724,200.
6. Associated relationship or other relationships with the Company:  
Wholly-owned subsidiary

**(xv) Nantong Dazhong Gas Co., Ltd.**

1. Company name: Nantong Dazhong Gas Co., Ltd.
2. Registered address: No.59, Gongnong North Road, Nantong city, PRC
3. Legal representative: Zhuang Jianhao (莊建浩)
4. Business scope: Production, distribution and supply of pipeline gas, supply of CNG, supply of liquefied petroleum gas, etc.
5. As of 31 December 2018: Total assets of RMB1,417,897,900, total current liabilities of RMB431,172,900, total liabilities of RMB1,042,848,700, net assets of RMB375,049,200. In 2018, operating revenue of RMB780,162,700, and net profit of RMB45,868,100.
6. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

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**(xvi) Shanghai Dazhong Group Capital Equity Investment Co., Ltd.**

1. Company name: Shanghai Dazhong Group Capital Equity Investment Co., Ltd.
2. Registered address: Room 24A01, 518 Shangcheng Road, Pudong New Area, Shanghai, the PRC
3. Legal representative: Yang Guoping (楊國平)
4. Business scope: Equity investment, equity investment management, investment consultation, industrial investment, asset management.
5. As of 31 December 2018: Total assets of RMB822,656,300, total liabilities of RMB54,504,300, net assets of RMB768,152,000, operating revenue of nil, and net profit of RMB-5,782,800 in the year of 2018.
6. Associated relationship or other relationships with the Company: Controlled subsidiary

**(xvii) Shanghai Dazhong Assets Management Co., Ltd.**

1. Company name: Shanghai Dazhong Assets Management Co., Ltd.
2. Registered address: Room 906, Building A, 169 Taigu Road, China (Shanghai) Pilot Free Trade Zone
3. Legal representative: Yang Guoping (楊國平)
4. Business scope: Asset management, investment management, equity investment management, investment consultation, etc.
5. As of 31 December 2018: Total assets of RMB535,467,900, total current liabilities of RMB1,500, total liabilities of RMB1,500, net assets of RMB535,466,400, operating revenue of nil, and net profit of RMB302,200 in the year of 2018.
6. Associated relationship or other relationships with the Company: Wholly-owned subsidiary

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**(xviii) Shanghai Dazhong Financial Leasing Co., Ltd.**

1. Company name: Shanghai Dazhong Financial Leasing Co., Ltd.
2. Registered address: Room 108, 26 Jiafeng Road, China (Shanghai) Pilot Free Trade Zone
3. Legal representative: Yang Guoping (楊國平)
4. Business scope: Financial leasing business, leasing business, purchase of domestic and overseas leased property, treatment and maintenance of residual value of leased property, consultation and provision of guarantee for leasing transactions, engagement in commercial factoring business in relation to its main business.
5. As of 31 December 2018: Total assets of RMB2,208,355,000, total long-term borrowings due within one year of RMB687,479,100, total current liabilities of RMB809,851,000, total long-term borrowings of RMB616,180,400, total liabilities of RMB1,668,636,700, net assets of RMB539,718,300, operating revenue of RMB139,305,800, and net profit of RMB40,022,800 in the year of 2018.
6. Associated relationship or other relationships with the Company: Controlled subsidiary

**(xix) Shanghai Dazhong Transportation Commerce Co., Ltd.**

1. Company name: Shanghai Dazhong Transportation Commerce Co., Ltd.
2. Registered address: Room 1112, 1515 Zhongshan West Road, Xuhui District, Shanghai, the PRC
3. Legal representative: Li Weitao (李偉濤)
4. Business scope: Provision of corporate management consultation and planning and business information consultation through the membership card system of the group, provision of a variety of management, planning, consultation and agent services in relation to employee benefits to units of the enterprise through the employee service card system, etc.
5. As of 31 December 2018: Total assets of RMB150,305,200, total current liabilities of RMB50,728,700, total liabilities of RMB50,728,700, net assets of RMB99,576,500, operating revenue of RMB3,921,800, and net profit of RMB286,100.

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6. Associated relationship or other relationships with the Company:  
Wholly-owned subsidiary

**(xx) Shanghai Zhonggong Information Service Co., Ltd.**

1. Company name: Shanghai Zhonggong Information Service Co., Ltd.
2. Registered address: Room A1-5932, 58 Fuminzhi Road, Hengsha Township, Chongming County, Shanghai, the PRC (Shanghai Hengtai Economic Development Zone)
3. Legal representative: Chen Jiami (陳佳敕)
4. Business scope: Business consultation, business management consultation, marketing planning, corporate image planning, exhibition services, financial consultation, translation services, market information consultation and survey, etc.
5. As of 31 December 2018: Total assets of RMB51,260,500, total current liabilities of RMB41,835,800, total liabilities of RMB41,835,800, net assets of RMB9,424,800, operating revenue of RMB1,520,200, and net profit of RMB-358,600 in the year of 2018.
6. Associated relationship or other relationships with the Company:  
Wholly-owned subsidiary

**(xxi) Dazhong (Hong Kong) International Corporation Limited**

1. Company name: Dazhong (Hong Kong) International Corporation Limited
2. Registered address: FLAT/RM 8204B, 82/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
3. Business scope: Passenger transportation services of rental cars, business and investment in relation to freight transport.
4. As of 31 December 2018: Total assets of USD270,931,300, total short-term borrowings of USD35,840,000, total current liabilities of USD152,419,500, total liabilities of USD152,419,500, and net assets of USD118,511,800. In 2018, operating revenue of nil, and net profit of USD3,834,200.
5. Associated relationship or other relationships with the Company:  
Controlled subsidiary

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**(xxii) Xuzhou Qingshanquan Dazhong Water Operation Co., Ltd.**

1. Company name: Xuzhou Qingshanquan Dazhong Water Operation Co., Ltd.
2. Registered address: Textile Industry Park, Qingshanquan Town, Jiawang District, Xuzhou, PRC
3. Legal representative: Lu Xuanhui (吕宣惠)
4. Business scope: Sewage treatment and recycling and operation services
5. As of 31 December 2018: Total assets of RMB34,468,800, total current liabilities of RMB21,465,100, total long-term borrowings of RMB3,080,000, total liabilities of RMB24,545,100, and net assets of RMB9,923,700. In 2018, operating revenue of nil, and net profit of RMB-76,300.
6. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxiii) Shanghai Dazhong Run Logistics Shares Co., Ltd.**

1. Company name: Shanghai Dazhong Run Logistics Shares Co., Ltd.
2. Registered address: No. 451, Wenshui Road, Jing'an District, Shanghai, PRC
3. Legal representative: Liang Jiawei (梁嘉玮)
4. Business scope: General cargo transportation, general cargo transportation (freight leasing), general cargo transportation (field moving transportation), cargo-specific transportation (refrigeration), road transport of dangerous goods (Class II (flammable gas)), road general cargo transportation (truck brokerage), domestic freight forwarding agent, sea/land/air international freight forwarding agent and packaging services.
5. As of 31 December 2018: Total assets of RMB100,733,700, total current liabilities of RMB45,960,500, total liabilities of RMB45,960,500, and net assets of RMB54,773,200. In 2018, operating revenue of RMB42,670,900, and net profit of RMB391,100.
6. Associated relationship or other relationships with the Company: Controlled subsidiary



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**(xxiv) Shanghai Ruyu Energy Investment Co., Ltd.**

1. Company name: Shanghai Ruyu Energy Investment Co., Ltd.
2. Registered address: Room G1016, Building 10, No.1021, Sanshuang Road, Gangxi Town, Chongming District, Shanghai, PRC
3. Legal representative: Liang Jiawei(梁嘉璋)
4. Business scope: Technology development, technology consulting, technology transfer and technical services in energy technology area.
5. As of 31 December 2018: Total assets of RMB1,230,331,000, total current liabilities of RMB84,613,500, total liabilities of RMB84,613,500, and net assets of RMB1,145,717,500. In 2018, operating revenue of nil, and net profit of RMB40,694,100.
6. Associated relationship or other relationships with the Company: Controlled subsidiary

**(xxv) Shanghai Dazhong Run Supply Chain Management Co., Ltd.**

1. Company name: Shanghai Dazhong Run Supply Chain Management Co., Ltd.
2. Registered address: No.56 Suide Road, Putuo District, Shanghai, PRC
3. Legal representative: He Zhou(何洲)
4. Business scope: Uploading and unloading services, supply chain management, road cargo transportation, domestic freight forwarding agent and etc.
5. As of 31 December 2018: Total assets of RMB14,355,900, total current liabilities of RMB10,714,800, total liabilities of RMB10,714,800, and net assets of RMB3,641,100. In 2018, operating revenue of RMB19,116,000, and net profit of RMB3,198,900.
6. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

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**(xxvi)Platinum Capital Investment Corporational Limited**

1. Company name: Platinum Capital Investment Corporational Limited
2. As of 31 December 2018: Total assets of USD200, total current liabilities of USD6,100, total liabilities of USD6,100, and net assets of USD-5,900. In 2018, operating revenue of nil, and net profit of USD-2,600.
3. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxvii) CENTURY CHARM LIMITED**

1. Company name: CENTURY CHARM LIMITED
2. As of 31 December 2018: Total assets of USD100, total current liabilities of USD8,800, total liabilities of USD8,800, and net assets of USD-8,700. In 2018, operating revenue of nil, and net profit of USD-8,800.
3. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxviii)ULTRA PARTNER LIMITED**

1. Company name: ULTRA PARTNER LIMITED
2. As of 31 December 2018: Total assets of USD100, total current liabilities of USD8,800, total liabilities of USD8,800, and net assets of USD-8,700. In 2018, operating revenue of USD nil, and net profit of USD-8,800.
3. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxix)Fretum Construction & Engineering Enterprise Limited**

1. Company name: Fretum Construction & Engineering Enterprise Limited
2. Registered address: FLAT/RM 8204B, 82/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
3. Business scope: CORP

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4. As of 31 December 2018: Total assets of USD71,371,100, total current liabilities of USD14,870,400, total liabilities of USD14,870,400, and net assets of USD56,500,700. In 2018, operating revenue of USD nil, and net profit of USD1,824,200.
5. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

**(xxx) Galaxy Building & Development Corporation Limited**

1. Company name: Galaxy Building & Development Corporation Limited
2. Registered address: FLAT/RM 8204B, 82/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
3. Business scope: CORP
4. As of 31 December 2018: Total assets of USD3,177,700, total current liabilities of USD12,800, total liabilities of USD12,800, and net assets of USD3,164,900. In 2018, operating revenue of USD nil, and net profit of USD39,700.
5. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

**(xxxi) Ace Best Investing Management Corporation Limited**

1. Company name: Ace Best Investing Management Corporation Limited
2. Registered address: FLAT/RM 8204B, 82/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
3. Business scope: CORP
4. As of 31 December 2018: Total assets of USD4,993,400, total current liabilities of USD nil, total liabilities of USD nil, and net assets of USD4,993,400. In 2018, operating revenue of USD nil, and net profit of USD-2,400.
5. Associated relationship or other relationships with the Company:  
Subsidiary of a controlled subsidiary

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**(xxxii) Interstellar Capital Investment CO., Limited**

1. Company name: Interstellar Capital Investment CO., Limited
2. Registered address: FLAT/RM 8204B, 82/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
3. Business scope: CORP
4. As of 31 December 2018: Total assets of RMB405,588,300, total current liabilities of RMB113,900, total liabilities of RMB113,900, and net assets of RMB405,474,400. In 2018, operating revenue of RMB nil, and net profit of RMB-66,500.
5. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxxiii) Allpay (International) Finance Service Corporation Limited**

1. Company name: Allpay (International) Finance Service Corporation Limited
2. Registered address: Suites 3011, 30th Floor, Tower 6 the Gateway, 1 Canton Road, Kowloon, Hong Kong
3. Business scope: CORP
4. As of 31 December 2018: Total assets of USD6,563,600, total current liabilities of USD nil, total liabilities of USD nil, net assets of USD6,563,600, In 2018, operating revenue of USD nil, and net profit of USD-39,700.
5. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxxiv) Dazhong (Vietnam) International Co., Ltd.**

1. Company name: Dazhong (Vietnam) International Co., Ltd.
2. Registered address: Ho Chi Minh City, Vietnam
3. Legal representative: Zhuang Ziguo (莊自國)
4. Business scope: Management consultation

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5. As of 31 December 2018: Total assets of RMB33,625,500, total current liabilities of RMB340,500, total liabilities of RMB340,500, net assets of RMB33,285,000, In 2018, operating revenue of RMB nil, and net profit of RMB-393,400.
6. Associated relationship or other relationships with the Company: Subsidiary of a controlled subsidiary

**(xxxv) Jiangsu Dazhong Environmental Governance Co., Ltd.\* (establishing)**

1. Company name: Jiangsu Dazhong Environmental Governance Co., Ltd.
2. Registered address: Sanbahe Sewage Treatment Plant, Qiaojiahu Village, Yunlong District, Xuzhou, PRC
3. Legal representative: Yang Weibiao (楊衛標)
4. Business scope: environmental control and management services; water pollution control services; design and construction of environmental engineering, water treatment works, hydraulic engineering, waterproofing engineering, municipal engineering and pipeline, technology consulting and technical services; sales of construction materials and chemical products (excluding hazardous products); construction, operation and management of photovoltaic power stations; municipal waste disposal services; car park management services; water services. (Projects subject to approval according to law may not commence business until they are approved by relevant departments)
5. As of 31 December 2018: Total assets of nil, total current liabilities of nil, total liabilities of nil, net assets of nil, in 2018, operating revenue of nil, and net profit of nil.
6. Associated relationship or other relationships with the Company: Controlled subsidiary

The above guaranteed parties are not shareholders, de facto controllers of shareholders and controlled subsidiaries and affiliates of related parties of the Company, and are not individuals.

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### **III. MAIN SUBJECT OF GUARANTEE AGREEMENT**

The Company provides credit guarantees for its controlled subsidiaries, and the term and amount of which are determined in accordance with the business requirements of the guaranteed party.

### **IV. AGGREGATE AMOUNT OF EXTERNAL GUARANTEES AND AGGREGATE AMOUNT OF OVERDUE GUARANTEES**

In 2018, the Company provided guarantees of RMB1,652,607,194.53 (foreign currency inclusive) in aggregate for its controlled subsidiaries and subsidiaries of its controlled subsidiaries (including subsidiaries with a gearing ratio of more than 70%).

As of 31 December 2018, the balance of guarantees provided by the Company to its controlled subsidiaries and subsidiaries of its controlled subsidiaries (including subsidiaries with a gearing ratio of more than 70%) amounted to RMB1,527,043,555.45 (foreign currency inclusive), which accounted for 20.63% of net assets of the Company. The Company has not provided any guarantee for its controlling shareholders and related parties, and there is no overdue guarantee.

This resolution shall be proposed at 2018 AGM for approval and then the Company's management is authorized to perform such specific execution. This resolution shall be valid from the date on which the resolution is considered and approved at the 2018 AGM to the date on which the next annual general meeting is held.

<b>APPENDIX VIII</b>	<b>RESOLUTION ON THE PROPOSAL FOR THE COMPANY AND ITS SUBSIDIARIES TO USE IDLE FUNDS FOR ENTRUSTED FINANCING FOR THE YEAR 2019</b>
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The details of the resolution on the proposal for the Company and its subsidiaries to use idle funds for entrusted financing in 2019 are as follows:

In order to enhance the efficiency of utilization of the Company's funds and control the foreign exchange rate risk, the Company proposes to use its idle funds to entrust financial institutions such as commercial banks, trust companies, securities companies, fund companies, insurance companies and asset management companies for entrusted financing with a maximum balance of RMB3.5 billion (foreign currency translation inclusive) per day on the premises of assuring that the normal production and operation shall not be affected. Both parties of the entrusted financing are independent to each other, and the entrusted financing does not constitute a related transaction.

#### **I. BASIC DESCRIPTION**

The source of funds for the entrusted financing is idle funds of the Company, for which performance guarantee is not required, and hence the daily business activities of the Company will not be affected.

#### **II. PRODUCT DESCRIPTION**

The Company proposes to entrust financial institutions such as commercial banks, trust companies, securities companies, fund companies, insurance companies and asset management companies for entrusted financing, including but not limited to other financing targets and financing methods approved according to the Company's internal decision-making procedures, such as financing products (bank financing products, trust plan, asset management plan, income receipts of securities dealers, etc.), bonds (national bonds, reverse repurchase of national bonds, corporate bonds, enterprise bonds, government bonds, etc.), foreign exchange financial products (forwards, swaps and options, etc.), currency funds, etc.. The funds will not be used to invest in stocks and underlying derivatives, securities investment funds and products with the purpose of securities investment.

#### **III. LIMIT AND TERM OF THE ENTRUSTED FINANCING**

Based on the condition of working capital, the Company will use its idle funds for entrusted financing with a maximum balance of RMB3.5 billion (foreign currency translation inclusive) per day. The term of the entrusted financing shall begin from the date on which the resolution is considered and approved at the 2018 AGM to the date on which the next annual general meeting of the Company is held.

#### **IV. DESCRIPTION OF PROCEDURES OF CONSIDERATION AND APPROVAL REQUIRED**

Pursuant to the requirements of The Shanghai Stock Exchange Listing Rules, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Articles of Association, this matter is subject to the consideration and approval by the general meeting of the Company.



**V. RISK MANAGEMENT AND CONTROL**

The Company has established sound procedures for the consideration and approval and implementation of the use of funds to ensure the effective application and regulated use of funds. During the period of entrusted financing, the Company will maintain close contact with the trustee of entrusted financing and timely track the operation of the financing funds. If any risk factors that may affect the security of funds of the Company are identified, appropriate measures shall be adopted in time to control investment risks.

Meanwhile, in accordance with the relevant requirements of the China Securities Regulatory Commission and Stocks Listing Rules and Hong Kong Listing Rules, the Company will disclose the condition of entrusted financing products, if applicable.

**VI. IMPACT ON THE DAILY OPERATION OF THE COMPANY**

The Company will conduct sufficient estimation and measurement on the risks and returns of financing products and future capital requirements. The use of such funds shall not affect the requirements for daily operation and development of the Company. Purchasing financing products with idle funds in time can help improving the efficiency of utilization of idle funds of the Company and control the foreign exchange rate risk, and will not harm the interests of the shareholders of the Company.

The details of the resolution on the re-appointment of the domestic audit firm and internal control audit firm for the Group for the year 2019 are as follows:

As the domestic audit firm and internal control audit firm appointed by the Company for the year 2018, BDO China Shu Lun Pan Certified Public Accountants LLP, in the course of audit on the Company, adhered to the independent, objective and fair practice standards, diligently fulfilled its obligations, issued independent audit opinion objectively and impartially, and satisfactorily completed the commissioned audit work of the Company. In 2018, the service fee for audit business paid by the Company to BDO China Shu Lun Pan Certified Public Accountants LLP amounted to RMB1.50 million, and the service fee for internal control audit business amounted to RMB0.4 million.

In order to ensure the continuity and stability of external audit work of the Company, as considered and approved in the fifteenth meeting of the Tenth session of the Board, the Company proposes to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP to conduct audit on the annual financial statements of the Company for the year 2019 and issue audit reports, and proposes to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP to conduct audit on the effectiveness of internal control of the Company for the year 2019 and issue internal control audit reports. The term of both appointments shall be one year, and audit fees shall be paid in accordance with the standard paid schedule.

The details of the resolution on the appointment of the overseas audit firm for the Company for the year 2019 are as follows:

As the overseas audit firm appointed by the Company for the year 2018, BDO Limited, in the course of audit on the Company, diligently fulfilled its duties, adhered to the independent, objective and fair practice standards, and completed the annual audit work. In 2018 the service fee for audit business paid by the Company to BDO Limited amounted to HK\$1.30 million.

In order to ensure the continuity and stability of external audit work of the Company, as considered and approved in the fifteenth meeting of the Tenth session of the Board, the Company proposes to re-appoint BDO Limited as the overseas audit firm for the Company for the year 2019. The term of appointment shall be one year, and audit fees shall be paid in accordance with the standard paid schedule.

The proposed registration and issuance of super short-term commercial papers of not more than RMB2.5 billion and short-term commercial papers of not more than RMB2.5 billion (the “**Proposed Issuance**”) has been approved in the fifteenth meeting of the Tenth session of the Board held on 29 March 2019. To meet the short-term capital demands of the Company, lower the finance costs, promote the business development of the Company, the Company proposed to apply for registration and issuance of super short-term commercial papers and short-term commercial papers from the National Association of Financial Market Institutional Investors of the PRC. Details of the Proposed Issuance are as follows:

## **THE PRINCIPLE TERMS OF THE PROPOSED ISSUANCE OF SUPER SHORT-TERM COMMERCIAL PAPERS**

### **I. Size of issuance**

The total amount of the registration and issuance of super short-term commercial papers shall not be more than RMB2.5 billion and it can be issued by installments.

### **II. Target subscribers**

Target subscribers of the super short-term commercial papers are institutional investors in the interbank market of the PRC (excluding those in respect of which subscription has been prohibited under national laws and regulations).

### **III. Cost of issuance**

The annual interest rate of issuance is based on the prices in the interbank market.

### **IV. Authorization matters**

The Board proposes to the general meeting to authorize the management to, according to the above issuance proposal, solely decide and handle matters related to the issuance of super short-term commercial papers with reference to the Company’s requirements and the market conditions, including but not limited to, engage relevant intermediaries, determine the time, the quota, the lot structure and the rate of issuance, sign the required documents, disclose relevant information, and adjust the specific size of the issuance and related issuance proposal as required by law and under the further requirements of the regulatory authorities.

**THE PRINCIPLE TERMS OF THE PROPOSED ISSUANCE OF SHORT-TERM  
COMMERCIAL PAPERS****I. Size of issuance**

The size of such registration and issuance of short-term commercial papers shall not be more than RMB2.5 billion and it can be issued by installments.

**II. Target subscribers**

Target subscribers of the short-term commercial papers are institutional investors in the interbank market of the PRC (excluding those in respect of which subscription has been prohibited under national laws and regulations).

**III. Cost of issuance**

The annual interest rate of issuance is based on the prices in the interbank market.

**IV. Authorization matters**

The Board proposes the general meeting's the authorization for the management to, within the scope of the above issuance proposal, solely decide and handle matters related to the issuance of short-term commercial papers with reference to the Company's demands and the market conditions, including but not limited to, engage relevant intermediaries, determine the time, the quota, the lot structure and the rate of issuance, sign the required documents, disclose relevant information, and adjust the specific size of the issuance and related issuance proposal as required by law and under the further requirements of the regulatory authorities.

Resolution on proposed registration and issuance of mid-term notes not exceeding RMB3 billion has been approved at the fifteenth meeting of the Tenth session of the Board held on 29 March 2019.

To meet the capital requirements of the Company, lower the finance costs, promote the business development of the Company, the Company proposed to apply for registration and issuance of mid-term notes from the National Association of Financial Market Institutional Investors of the PRC. Details of the Proposed Issuance are as follows:

**I. SIZE OF ISSUANCE**

The size of such registration and issuance of mid-term notes shall not be more than RMB3 billion and it can be issued by installments

**II. TARGET SUBSCRIBERS**

Target subscribers of the mid-term notes are institutional investors in the interbank market of the PRC (excluding those in respect of which subscription has been prohibited under national laws and regulations).

**III. COST OF ISSUANCE**

The annual interest rate of issuance is based on the prices in the interbank market.

**IV. AUTHORIZATION MATTERS**

The Board of the Company proposes to the general meeting to authorize the management to, according to the above issuance proposal, solely decide and handle matters related to the issuance of super short-term commercial papers with reference to the Company's requirements and the market conditions, including but not limited to, engage relevant intermediaries, determine the time, the quota, the lot structure and the rate of issuance, sign the required documents, go through necessary procedures, disclose relevant information, and adjust the specific size of the issuance and related issuance proposal as required by law and under the further requirements of the regulatory authorities.

<b>APPENDIX XIII      RESOLUTION ON THE PROPOSED CHANGE IN USE OF PROCEEDS</b>
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The details of the resolution on the proposed change in use of proceeds are as follows:

On 5 December 2016, 478,940,000 overseas listed foreign shares of the Company (H shares, excluding overallotment, comprising 435,400,000 new H Shares offered by the Company and 43,540,000 H Shares sold by reducing state-held shares) have been listed and traded on the Main Board of the Hong Kong Stock Exchange. As at 9 January 2017, after the overallotted 54,703,000 H Shares of the company (comprising 49,730,000 new H Shares issued and allotted by the Company and 4,973,000 H Shares sold by reducing state-held shares) have been listed and traded on the Main Board of the Hong Kong Stock Exchange, the Company issued a total of 533,643,000 foreign shares (H shares), (comprising 48,513,000 Shares sold by reducing state-held shares) at the issue price of HK\$3.60 per H Share and the proceeds received by the Company were HK\$1,921,114,800 and the net proceeds received by the Company were HK\$1,746,468,000. After deducting the sale of state-owned shares and the fees that need to be paid to intermediaries, the proceeds received by the Company were HK\$1,618,970,632.89.

As provided under the Prospectus on the use of proceeds from the issuance of foreign H Share: approximately 35% will be used for investment in piped gas supply business, including the acquisition of equity interest in selected piped gas suppliers; approximately 30% will be used for investment in 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; 25% will be used for investment in other public utility businesses; 10% will be used to provide funding for working capital and other general corporate purposes. At present, 10% proceeds are used to supplement funding for working capital, RMB50 million is used to increase investment in Dazhong Gas, and the remaining proceeds are kept in special foreign exchange account for the Company listed overseas.

In view of the uncertainty of the actual investment amount of the individual public utility projects invested by the company, in order to improve efficiency, the company intends to combine 35% proceeds invested in the piped gas supply business and 30% proceeds invested in wastewater treatment operations, that is, to concentrate on the use of proceeds for investment in public utility projects, including but not limited to gas supply, water supply, wastewater treatment, solid waste treatment, transportation and other projects.



<p align="center"><b>APPENDIX XIV RESOLUTION ON THE AMENDMENTS ON THE ARTICLES OF ASSOCIATION OF THE COMPANY AND THE CHANGE ON INDUSTRIAL AND COMMERCIAL REGISTRATION</b></p>
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On 26 October 2018, the sixth session of the Standing Committee of the Thirteenth National People's Congress adopted by voting the decision to revise the share repurchase of the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law").

In order to further improve the corporate governance system, in accordance with the Company Law, Guidelines on the Bylaws of Listed Companies (2018 Revision) and combined with the actual situation of the Company, upon the the Resolution on the Amendments on the Articles of Association of the Company and the Change on Industrial and Commercial Registration was considered and approved at the fifteenth meeting of the Tenth session of the Board, the Company made the following amendments to the Articles of Association of Shanghai Dazhong Public Utilities (Group) Co., Ltd.:

Existing Provisions	Provisions after Amendment
Article 29 The Company may, in accordance with the procedures set out in laws, administrative regulations, departmental rules and the Articles of Association, upon report to and obtaining approval from the relevant state competent authorities, repurchase its shares issued under the following circumstances: (1) decreasing the registered capital of the Company; (2) merging with other companies holding shares of the Company; (3) awarding shares to employees of the Company; (4) shareholders objecting to resolutions of the general meeting concerning merger or division of the Company and requesting the Company to buy back their shares; (5) further acquisition of the shares of the Company by the shareholder(s) severally or jointly holding 10% or above shares of the Company.	Article 29 The Company may, in accordance with the procedures set out in laws, administrative regulations, departmental rules and the Articles of Association, repurchase its shares issued under the following circumstances: (1) decreasing the registered capital of the Company; (2) merging with other companies holding shares of the Company; (3) implementation of employee stock ownership plans and equity incentives; (4) shareholders objecting to resolutions of the general meeting concerning merger or division of the Company and requesting the Company to buy back their shares; <b>(5) use of shares for conversion of convertible corporate bonds issued by the Company;</b> <b>(6) the share buyback is necessary for the Company to maintain its Company value and protect its shareholders' equity interest;</b> (7) further acquisition of the shares of the Company by the shareholder(s) severally or jointly holding 10% or above shares of the Company.

**APPENDIX XIV RESOLUTION ON THE AMENDMENTS ON THE ARTICLES OF  
ASSOCIATION OF THE COMPANY AND THE CHANGE  
ON INDUSTRIAL AND COMMERCIAL REGISTRATION**

Existing Provisions	Provisions after Amendment
<p>In the event of (5), subject to the laws, regulations, normative documents and the relevant regulatory rules and requirements of the securities regulatory authority where the Company's shares are listed and the Articles of Association, the Company may buy back the shares of the Company immediately and transfer such shares to particular parties without approval or mandate and shall perform the obligation of information disclosure.</p> <p>The Company shall not trade its shares unless in the aforesaid circumstances.</p> <p>Article 30 The Company may repurchase its shares as approved by relevant state competent authorities by any of the following means: (1) making a general offer of repurchase to all shareholders in the same proportion; (2) repurchasing shares through public dealing on a stock exchange; (3) repurchasing shares by an off-market agreement; (4) other means approved by laws, administrative regulations, relevant competent authorities and the securities regulatory authority where the Company's shares are listed.</p>	<p><b>In the event of (7), subject to the laws, regulations, normative documents and the relevant regulatory rules and requirements of the securities regulatory authorities where the Company's shares are listed and the Articles of Association, the Company may buy back the shares of the Company immediately and transfer such shares to particular parties without the need of approval or mandate but shall perform the obligation of information disclosure.</b></p> <p>The Company shall not trade its shares unless in the aforesaid circumstances.</p> <p><b>Article 30 The Company may repurchase its shares issued by any of the following means:</b> (1) making a general offer of repurchase to all shareholders in the same proportion; (2) repurchasing shares through public dealing on a stock exchange; (3) repurchasing shares by an off-market agreement; (4) other means approved by laws, administrative regulations, relevant competent authorities and the securities regulatory authority where the Company's shares are listed.</p> <p><b>If the Company repurchases the shares under any of the circumstances stipulated in paragraph (1), (3), (5) or (6) of Article 29 hereof, it shall be conducted through public dealing.</b></p>

<p align="center"><b>APPENDIX XIV RESOLUTION ON THE AMENDMENTS ON THE ARTICLES OF ASSOCIATION OF THE COMPANY AND THE CHANGE ON INDUSTRIAL AND COMMERCIAL REGISTRATION</b></p>
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Existing Provisions	Provisions after Amendment
<p>Article 31 If the Company acquires its own shares for reasons of paragraphs (1) to (3) of Article 29 of the Articles of Association, the proposed resolution shall be passed at the general meeting. Upon the acquisition of its own shares by the Company pursuant to Article 29, in the case of paragraph (1), the acquired shares shall be cancelled within ten (10) days from the date of acquisition; in the case of paragraphs (2) and (4), the acquired shares shall be transferred or cancelled within six months.</p> <p>The number of shares to be acquired by the Company pursuant to paragraph (3) of Article 29 shall not exceed 5% of the total issued shares of the Company. The funds to be used for the acquisition shall be paid out of the after-tax profit of the Company. The shares so acquired shall be transferred to the employees within one year.</p>	<p>Article 31 If the Company acquires its own shares for reasons of <b>paragraphs (1) or (2)</b> of Article 29 of the Articles of Association, the proposed resolution shall be passed at the general meeting. <b>If the Company acquires its own shares for reasons of paragraph (3), (5) or (6) of Article 29 of the Articles of Association, a resolution of the Company’s board of directors shall be made by a two-third majority of directors attending the meeting.</b></p> <p>Upon the acquisition of its own shares by the Company pursuant to item 1 of Article 29, <b>in the case of paragraph (1), the acquired shares shall be cancelled within ten days from the date of acquisition; in the case of paragraphs (2) and (4), the acquired shares shall be transferred or cancelled within six months; in the case of paragraphs (3), (5) or (6), the shares held in total by the Company after repurchasing shall not exceed 10% of the Company’s total outstanding shares, and shall be transferred or cancelled within three years. The Company’s general meeting of shareholders may authorize the board of directors or the board of directors may authorize the relevant parties to determine the specific implementation plan for the Company to repurchase the shares of the Company in the circumstances of Article 29 hereof.</b></p> <p><b>Upon the acquisition of its own shares, the Company shall perform their obligation of information disclosure according to the provisions of the Securities Law of the People’s Republic of China and Hong Kong Listing Rules.</b></p>

<p align="center"><b>APPENDIX XIV RESOLUTION ON THE AMENDMENTS ON THE ARTICLES OF ASSOCIATION OF THE COMPANY AND THE CHANGE ON INDUSTRIAL AND COMMERCIAL REGISTRATION</b></p>
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Existing Provisions	Provisions after Amendment
<p>Article 66 The general meeting is the organ of power of the Company and shall exercise the following powers: (1) deciding on the business policies and investment plans of the Company; .....(17) considering other matters which are to be decided by the shareholders in general meetings according to the laws, administrative regulations, departmental rules, regulatory requirements of the securities regulatory authorities and stock exchanges of the place where the securities of the Company are listed, or required in the Articles of Association.</p> <p>Article 105 The following matters shall be adopted by way of special resolutions at shareholders' general meetings: (1) increase or reduction in the registered capital and issue of shares of any class, stock warrants and other similar securities; .....(8) any other matters required by the laws, administrative regulations or the Articles of Association, and matters considered in an ordinary resolution adopted at a shareholders' general meeting having a material impact on the Company, and thus in need of approval by a special resolution.</p>	<p>Article 66 The general meeting is the organ of power of the Company and shall exercise the following powers: (1) deciding on the business policies and investment plans of the Company; ..... <b>(17) adopting resolutions on acquisition of shares of the Company as stipulated in paragraph (1) or (2) of Article 29 hereof; (18)</b> considering other matters which are to be decided by the shareholders in general meetings according to the laws, administrative regulations, departmental rules, or required in the Articles of Association.</p> <p>Article 105 The following matters shall be adopted by way of special resolutions at shareholders' general meetings: (1) increase or reduction in the registered capital and issue of shares of any class, stock warrants and other similar securities; ..... <b>(8) acquisition of shares of the Company as stipulated in paragraph (1) or (2) of Article 29 hereof;</b> (8) any other matters required by the laws, administrative regulations or the Articles of Association, and matters considered in an ordinary resolution adopted at a shareholders' general meeting having a material impact on the Company, and thus in need of approval by a special resolution.</p>

<p align="center"><b>APPENDIX XIV    RESOLUTION ON THE AMENDMENTS ON THE ARTICLES OF ASSOCIATION OF THE COMPANY AND THE CHANGE ON INDUSTRIAL AND COMMERCIAL REGISTRATION</b></p>
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Existing Provisions	Provisions after Amendment
Article 149 The Board of Directors exercises the following functions and powers: (1) to convene the shareholders' general meeting and to report on its work to the shareholders in general meetings; .....(7) to formulate plans for important mergers and acquisition of the shares of the Company, consolidation, division, dissolution or change of the form of the Company; .....(16) to exercise any other powers conferred by the laws, administrative regulations, department rules or the Articles of Association.	Article 149 The Board of Directors exercises the following functions and powers: (1) to convene the shareholders' general meeting and to report on its work to the shareholders in general meetings; ..... (7) to formulate plans for important mergers and acquisition of the <b>shares of the Company as stipulated in paragraph (1) of Article 29 hereof</b> , consolidation, division, dissolution or change of the form of the Company; ..... <b>(16) to make plans on acquisition of shares of the Company as stipulated in paragraph (3), (5) or (6) of Article 29 hereof</b> ; (17) to exercise any other powers conferred by the laws, administrative regulations, department rules, the Articles of Association.

The Board proposes to the general meeting to grant approval to the Board to authorize the management to be responsible for all relevant registration procedures required for the change of the above matters of the Company to the industrial and commercial registration authority. The above amendments shall have legal effect on the Company.

*Note: The Articles of Association and its amendments were originally drafted in Chinese and there was no official English version. Therefore, any English translation is for reference only. In case of any discrepancies, the Chinese version shall prevail.*