

Environmental, Social and Governance (ESG) Report

April 27, 2017

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1 CORPORATE PROFILE

1.1 About Us

1.1.1 Company Profile

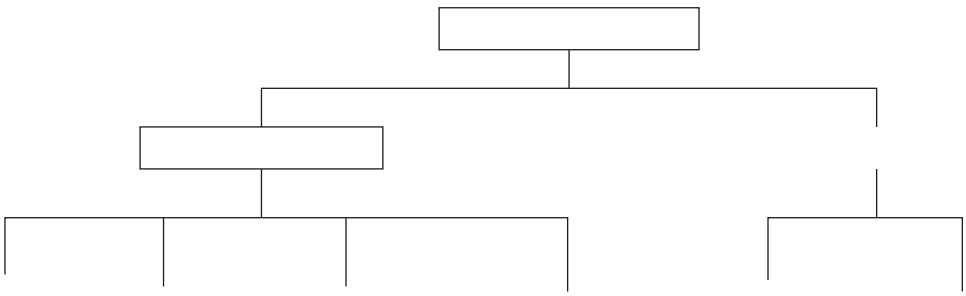
Shanghai Dazhong Public Utilities (Group) Co., Ltd. was established on December 24, 1991, formerly known as Shanghai Pudong Dazhong Taxi Co., Ltd. (上海浦東大眾出租汽車股份有限公司), the first joint stock company in the taxi industry of China. The Company's shares were listed on the Shanghai Stock Exchange on March 4, 1993 (stock short name: DZUG; stock code: 600635) and the Main Board of the Hong Kong Stock Exchange on December 5, 2016 (stock short name: DZUG; stock code: 1635). As of January 9, 2017, after the listing of over-allotment shares on the Main Board of the Hong Kong Stock Exchange, the total share capital of the Company was increased to 2,952,434,675 shares. Among which, there are 2,418,791,675 A shares, accounting for 81.93% and 533,643,000 H shares, accounting for 18.07%.

Over the past 20 plus years, through the continuous "innovation-driven transformation and development", the Company achieved the strategic transformation from "Pudong Dazhong" ("浦東大眾") to "Dazhong Scientific Innovation" ("大眾科創"), then to "DZUG" ("大眾公用"). The Company insisted on stable operation and steady development, achieved leap after leap and became an investment holding company with simultaneous development of public utility and financial investment. Our public utility business included (1) city gas; (2) wastewater treatment; (3) urban transportation; and (4) infrastructure investment and operation. Our financial investment business included (1) financial service; and (2) venture capital.

For the year 2016, the Company achieved operating revenue of RMB4,568 million and net profit of RMB634 million. As of December 31, 2016, the total assets of the Company amounted to RMB17.01 billion and net assets amounted to RMB8.19 billion.

1.1.2 Major Business

The following table illustrates the main business segments of Dazhong Public Utilities Group:



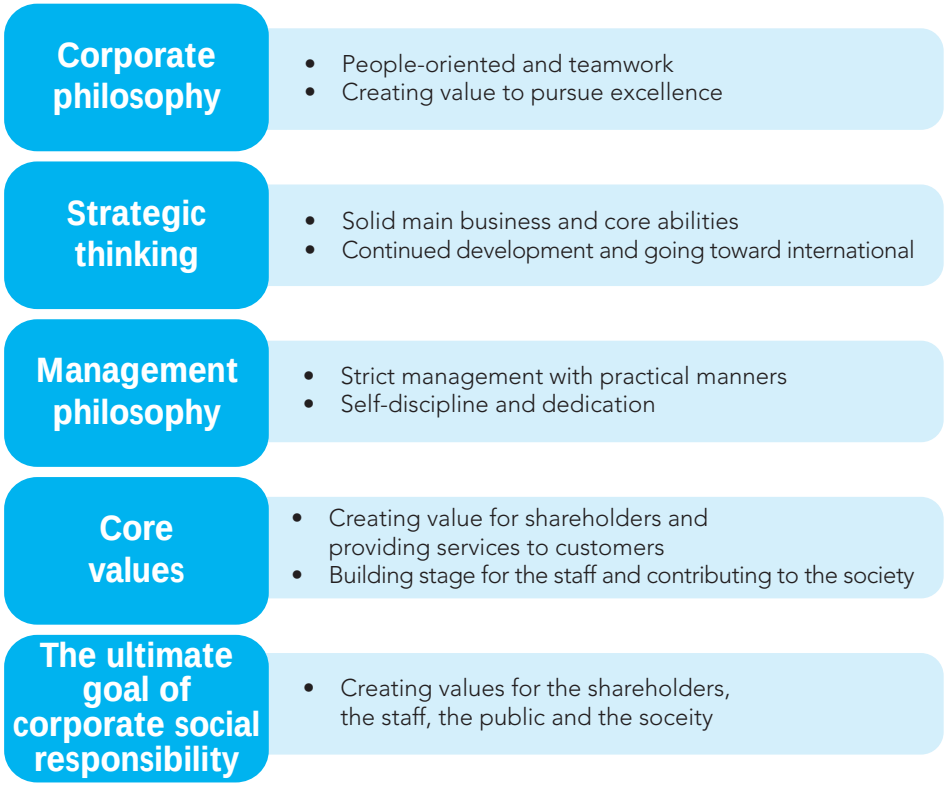
— Public Utility

(1) City gas: The gas companies under the Company are principally engaged in provision of piped gas and related services. The Company procures gas from the upstream natural gas production and sales companies, sells the gas to residential, commercial and industrial end users through its proprietary urban gas pipeline network, and also provides relevant distribution services. Meanwhile, the Company provides new users with extended services such as gas installation, installation of pipeline connected to the gas meter reader and relocation. Currently, the Company is the sole supplier of piped natural gas in the South Puxi Area and also the dominant supplier of natural gas in Nantong urban area in Jiangsu Province. The Company also entered the Songjiang District and Fengxian District in Shanghai by way of equity investment, and made equity investment in Suchuang Gas Corporation Limited (stock code: 1430.HK) in 2016 to expand its business to Taicang, Jiangsu Province.

Relationship with the corporate social responsibility: Natural gas is a low-carbon and clean energy with abundant reserves and most of the developed countries consider natural gas as an important alternative for clean energy. The shale gas revolution in the United States significantly increases the world's estimation for natural gas reserves, and natural gas has become the most promising major energy in the world. Dazhong Gas has completed the overall replacement of coal with natural gas, replacing the traditional coal gas with natural gas and providing support to the low-carbon and clean lifestyle.

(2)

1.1.3 Corporate Social Responsibility



1.2 Focus of 2016

1.2.1 Responsibility Honor Overview

Since the listing of the Company, with a good corporate image, in-depth practice of social responsibility, the comprehensive corporate governance structure and a sound information disclosure mechanism and internal management system, the Company has been selected into the constituent stocks of the following index: Dow Jones China Index, "Shanghai and Shenzhen 300 Index" of Shanghai Stock Exchange, SSE 180 Index, SSE 180 relative growth index, SSE 180 relative value index, SSE corporate governance index and many other index. In December 2016, H shares of Dazhong Public Utilities were transferred to the list of Hong Kong stocks under the SZ-HK Stock Connect. In addition, the Company has also been elected as the executive director of the second board of directors of the China Association of Listed Companies (中國上市公司協會第二屆理事會常務理事單位); the vice president of the second session of the Council of Shanghai Listed Company Association (上海上市公司協會第二屆理事會副會長單位); the vice chairman of the council of Shanghai Association of Stock System Enterprises and Five-star Integrity Building Enterprise (上海市股份公司聯合會第六屆理事會副理事長單位和五星級誠信創建企業).

The following is a brief overview of the Company's recent responsibility honors:



Dazhong Public Utilities was ranked 85th in Shanghai Top 100 Enterprises in 2016, 49th in Top 100 Service Enterprises in Shanghai, 32nd in Shanghai Top 100 Private Enterprises, and 17th in Shanghai Top 100 Private Service Enterprises.



Mr.Yang Guoping, the Chairman of the Company, was honored as the Outstanding Entrepreneur by the first session of China (Shanghai) Listing Companies' Social Liabilities Summit. Mr. Yang Guoping stated the aim of the Company was to serve the society, create values for shareholders as a whole and serve the passengers and employees.



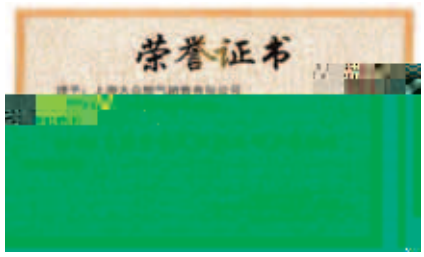
Dazhong Public Utilities was awarded the "Best IPO of China Financing Listed Company in 2016" by the committee of China Enterprise Association of Listed Companies, which was held by Hong Kong's well-known financial magazine China Financing and Wonderful Sky Financial.



Dazhong Public Utilities was selected as the classic case of financial market in 2016 for the use of financing instrument of ultra-short financing and expanding low cost.



Dazhong Chuxing was awarded the "Most Popular Award" of 2016 MMC Worldwide Competition by the third APEC Car Networking Seminar for its excellent green travel concept.



Shanghai Gas Management Office awarded Shanghai Dazhong Gas with the title of civilized site of Shanghai gas industry.



Xuzhizhou volunteer studio of Nantong Dazhong Gas was awarded as the outstanding volunteer service unit of Nantong in 2016.

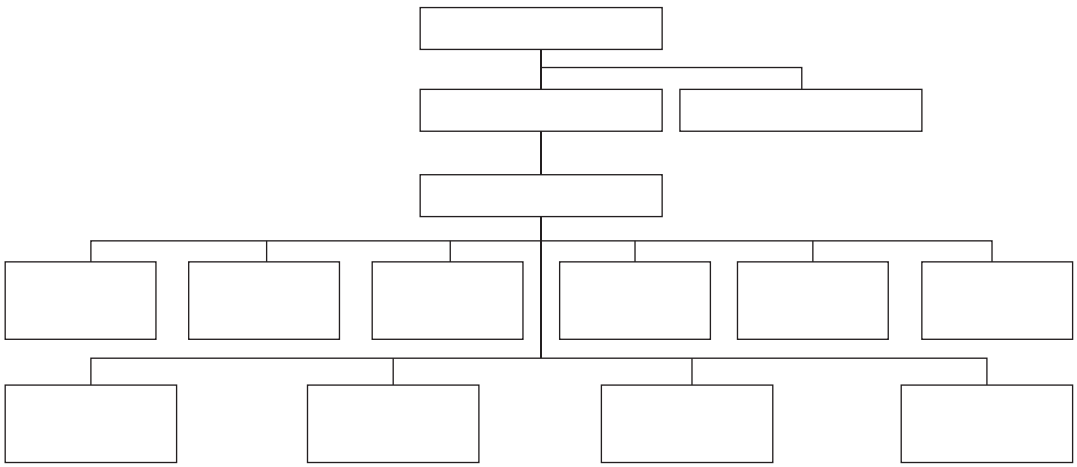


Shanghai Putuo District Government held a recognition meeting of advanced investment promotion works in Putuo District, to recognize the major companies which contributed to the development of Putuo District in 2016. Shanghai Dazhong Gas was awarded first prize in regional development contribution.

1.3 Corporate Governance

1.3.1 Corporate Governance Framework

In accordance with the relevant laws and regulations of China, the resolutions of the shareholders' (general) meetings and the Articles of Association of the Company, the Company has clarified the establishment, staffing, duties and working procedures of the Board of Directors, the Supervisory Committee, the management, the various levels within the Company and other organizational systems in according with related requirements.



With reference to the above systems of corporate governance, the general condition of the Company's corporate governance is as follows:

(1) Shareholder and General Meeting: The Company convened and held general meetings in accordance with the requirements of the Articles of Association and the Rules of Procedure for General Meetings. During the Reporting Period, online voting was opened to shareholders to ensure that all shareholders, particularly minority shareholders, enjoy equal ranking and fully exercise their rights during the consideration of relevant resolutions in the general meetings. The convention and the resolution procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure the resolutions were lawful and valid. During the Reporting Period, there was no occurrence of any insider trade of information among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders or the Company.

(2) Relations between the Controlling Shareholders and the Company: The Company stringently carried out independence between its personnel, assets, finance, organization and business from those of the controlling shareholders, with separate accounting systems and respective responsibilities and risks. The controlling shareholders exercised rights and assumed responsibilities as contributors of the Company in strict compliance with relevant provisions under the Company Law and the Articles of Association of the Company. There was no business competition between the controlling shareholders and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholders, no use of capital of the Company by the controlling shareholders, and no request of being a guarantee for the controlling shareholder or others by the controlling shareholders.

(3) Directors and the Board of Directors: All directors made independent, objective and fair decisions on the resolutions brought to the Board of Directors for consideration with their professional knowledge and ability. They also exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. Independent directors could independently and objectively protect legal rights and interests of the Company and shareholders to provide checks and balances on the decision-making of the Board. When considering resolutions in relation to connected transactions, the connected shareholders abstained from voting in order to ensure that the connected transactions were fair and reasonable.

(4) Supervisors and the Supervisory Committee: All supervisors were in strict compliance with the Articles of Association, Rules of Procedure for the Supervisory Committee and the requirements under relevant laws and regulations. The supervisors earnestly performed their duties for the best interests of all shareholders with the spirit of being responsible to the shareholders, supervised the legality of the Company's financial position, daily connected transactions and performance of directors and senior management. All Supervisors of the Company could attend the meetings of the Supervisory Committee and sit in the meetings of the Board on time in accordance with relevant requirements and report to the general meetings as well as submit work reports of the Supervisory Committee.

(5) Senior management of the Company: The appointment and change of the senior management were in strict compliance with the Articles of Association. The procedures for appointment of senior management complied with the Company Law and the Articles of Association. The senior management of the Company conducted operations and performed their duties legally and diligently in accordance with the laws, regulations and authorizations of the Board, in order to maximize shareholder's benefits and social benefits.

1.3.2 Overview of the Board of Directors

As of December 31, 2016, the ninth session of Board of Directors consisted of eleven members, including six executive Directors, one non-executive Director and four independent non-executive Directors. The directors shall be elected at the shareholders' meetings, with a term of three years, and shall choose to be re-elected upon expiry of their terms of office.

The key information of our Directors:

Name	Age	Gender	Position(s)	Responsibility
YANG Guoping	60	Male	Executive Director, chairman of the Board and member of the nomination committee and remuneration and appraisal committee	Management of our Group and significant decision making
ZHONG Jinxing	62	Male	Executive Director, vice chairman of the Board and chief financial officer	In charge of our financial management and internal control
LIANG Jiawei	43	Male	Executive Director and chief executive officer	In charge of our daily operations
YU Min	56	Female	Executive Director	In charge of our administrative matters and human resources
YANG Jicai	58	Male	Executive Director and vice general manager	In charge of our environmental and municipal administration sector
ZHUANG Jianhao	55	Male	Executive Director and vice general manager	

Name	Age	Gender	Position(s)	Responsibility
Chow Siu Lui	56	Male	Independent non-executive Director	Advising on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management
YAN Xuehai				

Responsibilities of the committees:

(1) Audit Committee

- ensuring the implementation of effective financial control, internal control and risk management systems of the Company in compliance with the Hong Kong Listing Rules
- supervising the drafting and implementation of the internal audit system of the Company, coordinating between the internal and external audit
- overseeing the completeness of financial statement and annual reports and accounts, interim reports and quarterly reports of the Company
- approving the connected transactions or the filing of the connected transactions within authorization from the Board
- reviewing the financial and internal monitoring system as well as the risk management system
- reviewing the financial and accounting policies and practices of the Company
- maintaining the communication between the internal audit department and the external audit firm
- other duties authorized by the Board

(2) Remuneration and Appraisal Committee

- determining the assessment standards for the Directors, managers and other senior management and advising on the establishment of the proper and transparent procedures to formulate the remuneration policy
- reviewing and examining the remuneration policies and plans of the Directors, managers and other senior management
- overseeing the implementation of remuneration system of the Company
- taking into account of the salaries paid by comparable companies, time commitment and responsibilities, employment conditions of other positions in the Group
- reviewing and approving the compensation arrangement in connection with the termination of appointment of Directors and senior management
- other duties authorized by the Board

(3) Nomination Committee

- determining the selection standard and procedures to appoint Directors, managers and other senior management
- identifying suitable candidates of Directors, managers and other senior management and making recommendation to the Board
- evaluating the independence of the independent Directors
- evaluating the composition, number of Directors and formation of the Board
- assessing the candidates of Directors, managers and other senior management and making recommendation
- other duties authorized by the Board

1.3.3 Overview of Relevant Stakeholders and Effectiveness of Communication

Overview of Relevant Stakeholders:

Relevant Stakeholders	**Expectations and requirements**	**Means of Communication**
Government	Observance of law and discipline and payment of tax according to law	Complying with national laws and regulations
	Optimization of energy structure	Improvement in corporate governance
	Safeguarding the safety of energy and traffic	Accepting supervision review
		Regular reporting of work
Investor	Stable reporting of investment	Regular reporting of operating information
	Open and transparent information	Actively organizing communicating activities for investors
	Safeguarding shareholders' interest	Improvement in daily management of the Company
Customer	Providing excellent services	Setting up a variety of communication channels to understand customer needs
Partner	Maintaining good business dealings	Carrying out strategic cooperation
	Fair, just and open management	Establishing thorough management of bidding and procurement
	Mutual benefit	Regular developing exchange activities
Employee	Competitive salary and benefits	Establishing a sound system of employee management
	Fair promotion and development	Proactive developing training activities
	Health and safety	Strengthening communication between employees through multi-channels
	Good working environment	Caring for employees who are in difficulty
		Developing employee activities
Community and the Public	Service of community development	Standardizing business management
	Safe operation of business	Strengthening interaction with the community
Public Service Agencies	Protecting the ecological environment	Developing clean energies
	Caring for vulnerable groups	Strengthening promotional education of energy conservation awareness
		Actively organizing public welfare activities

— Investor Relations Management

Investor relations is one of the important tasks of standard development and compliance

Policies and Regulations	Date of issuance and Issuer	Main content
“Law of the People’s Republic of China on the Prevention and Control of		

2.2 Analysis of Enterprise Emissions

The total wastewater discharge from Dazhong Public Utilities Group for 2016 is 150.00 tons. All wastewater disposal was properly handled in accordance with the relevant national environmental protection policies and regulations.

Emissions of Solid Waste from Dazhong Public Utilities Group for 2016 (Unit: ton):

Non-hazardous waste		Sludge		Solid waste
		74,179.03		10.31
Hazardous waste	Waste oil	Waste paint bucket	Waste fluorescent tube	Waste battery
	0.02	0.0052	0.22	0.0002
Total				**74,189.59**

All of the solid wastes above are properly disposed in accordance with the relevant national environmental policies and regulations.

2.3 Analysis of Use of Resource by Enterprise

2.3.1 The Main Energy Consumption Structure of the Company

For 2016, Dazhong Public Utilities Group's various business consumed about 123.28 million tons of gasoline, 42.06 tons of diesel oil and 16.74 million tons of liquefied petroleum gas, with a total of 140.02 million tons of fossil fuel. Meanwhile, various business consumed about 37.70 million kWh of electrical energy and 0.32 million tons of water resources. Dazhong Public Utilities Group obtained suitable water sources in accordance with the relevant national environmental protection policies and regulations. It finds no problem when sourcing water.



140.02 million tons of fossil fuel



37.70 million KWh of electrical energy



0.32 million tons of water resources

For 2016, Dazhong Public Utilities Group's various business consumed a total of about 210.10 million tons of standard coal equivalent, of which 86% was gasoline and 14% was mostly liquefied petroleum gas (LPG).

	Comparison of various kinds of energy consumption in Dazhong Public Utilities Group for 2016 (Unit: Ton of standard coal equivalent)
Gasoline	181,394,594.62
Liquefied petroleum gas (LPG)	28,697,382.00
Electrical energy	4,633.64
Diesel oil	61.28
Total	210,096,671.54

More than 99% of the energy consumption in Dazhong Public Utilities Group for 2016 came from the Dazhong Tranportation's business of taxis and various kinds of rental vehicles. The other three main businesses which consume energy the most are (in order from the most to the least) wastewater treatment business, city gas business and infrastructure investment and operation.

	Comparison of Energy Consumption of Various Business Segments in Dazhong Public Utilities Group for 2016 (Unit: Ton of standard coal equivalent)
Urban transportation	210,091,574.00
Wastewater treatment	3,712.08
City gas	1,076.31
Infrastructure investment and operation	309.15
Total	210,096,671.54

2.3.2 Effective Measures of Energy Use Implemented by the Company

— Promoting the use of hybrid fuel vehicles to replace traditional gasoline vehicles

The total number of vehicles in Dazhong Transportation's business for 2016 was about 8,000, of which about 6,000 were gasoline vehicles and about 2,000 were bi-fuel (gasoline and liquefied petroleum gas (LPG)) vehicles. In 2017, Dazhong Transportation will add 50 new energy vehicles Roewe E950 hybrid electric vehicles, further optimizing the energy structure of Dazhong Transportation's business and reducing dependence on traditional fossil fuels. Because all hybrid electric vehicles are not put into operation currently, there is no operational data on them.

— Promoting of the use of PVC seat covers to replace the traditional white seat covers

Furthermore, Dazhong Transportation's business actively promoted PVC seat covers in its operating taxis. Since the traditional white seat covers become dirty easily, the Company usually needs to change and wash them once every two to three days. The company has to consume plenty of water and cleaning materials to wash seat covers every year. Through the promotion of the use of PVC seat covers, the Company can reduce the consumption such water and material, and the wastewater disposal. After using PVC seat covers, the company can clean these covers while secondary cleaning for vehicles each month as usual. Drivers therefore do not have to return to the motorcade to replace the seat covers frequently and they can effectively reduce the miles of empty driving back and forth which is for replacing the seat covers, saving petrol and time.

— Proactive promoting the pipeline gas work of "changing coal to gas"

Dazhong Gas has fully completed the work of "changing coal to gas" in 2015, replacing traditional gas with natural gas. Natural gas is one of the safer gases that it does not contain carbon monoxide and its accumulation is difficult for it to form explosive gas. Its safety performance is higher. Furthmore, there is almost no sulfur, dust and harmful gas substances in natural gas. When it is burnt, the emitted carbon dioxide is less than other fossil fuels. Natural gas is a clean, environmentally friendly and high-quality energy. In recent years,

3 ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY

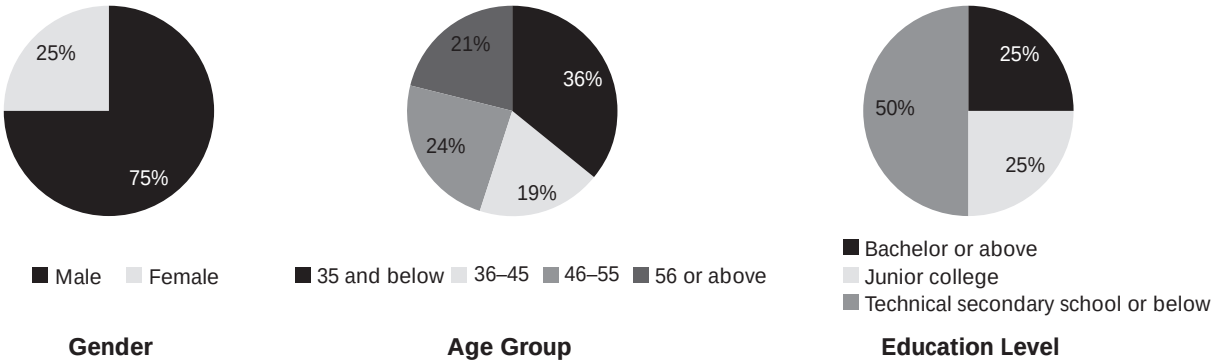
3.1 Analysis of the Employment and Labor Status of the Company

3.1.1 Overview of Employment Status and Labor Standards

Dazhong Public Utilities Group and its subsidiaries are strictly in compliance with the various relevant national personnel laws and regulations and provide all employees with benefits they should enjoy. The Company has developed a sound employment rules and regulations, and make clear provisions of the rights and obligations imposed on the employees in the employee handbook. The employee handbook stipulates that the working hour of employees per day is eight hours and the average working time per week is 40 hours. Meanwhile, the employees are entitled to any lawful benefit, remuneration and leave. During the recruitment, the Company adhered to the principle "open, fair and just" to take two-way choice, considered candidates on merit, avoided any discriminatory behaviour. Employees shall be entitled to any lawful benefits, remuneration and leave.

For the common development of the Company and the employees, each employee of Dazhong Public Utilities Group and its subsidiaries has the opportunity to be promoted. According to the Company's competitive incentive mechanism, the employees can obtain the opportunity of promotion through the forms including self-recommendation and job competition, and completing comprehensive evaluation.

Employees in Dazhong Public Utilities by Major Indicators for 2016



As at December 31, 2016, the total number of employees in Dazhong Public Utilities Group and major subsidiaries was 2,131[1]. The majority of employees in Dazhong Public Utilities Group is male in general. This is more significant in the business of city gas and wastewater treatment. In order to create a favorable working environment for female employees, the Company did not only ensure that they shall be entitled to lawful leave and insurance, but also offered special protection to the female employees who were in the period of menstruation, pregnancy, maternity, lactation and menopause. The Company arranged for female employees to recieve gynecological examinations once a year. Furthermore, the Company actively organized various cultural activities, enriching the female employees' leisure life and creating a more harmonious working environment.

[1] Under the equity method, non-controlling subsidiaries such as Dazhong Transportation are not consolidated in the financial statements of the parent at the end of the period. Accordingly, the total number of employees of 2,131 does not include the number of employees of the subsidiaries such as Dazhong Transportation which are not consolidated in the financial statements of the parent.

3.1.2 Overview of Employees' Health and Safety Assurance

In order to ensure safe production, Dazhong Public Utilities Group issued the Notice on Strenthening the Safe Production of the Group and its Subsidiaries (《關於加強集團公司及下屬各公司安全生產工作的通知》) and other relevant documents to require all business segments to take practical measures to ensure safe production, especially the safe production during New Year's Day, Chinese New Year and other holidays, which prevented the occurrence of safety accidents effectively. It also actively held safety work meetings to point out the respective focus of safety management of all major business segments. The Group and its operating subsidiaries signed the letter of responsibility for safety production of the year to establish a comprehensive safe production accountability mechanism. Such letter of responsibility provided the responsibilities and annual working target of safe production of all operating subsidiaries and specified the safe production duties to ensure a fully controllable safe production system of the group company.

The Group considered the person in charge of each major business segment as the the first responsible person of safe production who shall be fully responsible for the safe production of the respective entity in accordance with the safe production principles of "the person in charge shall be responsible" and "production management shall encompass safety management". In addition to being compliant with the Safe Production Law, Fire Control Law, Labour Law and other regulations as well as promoting the implementation of regulations, systems and standards of the PRC, the Group and respective entity on safe production, the Group also inspected and supervised the performance of safety duties of the management and staff of relevant entities and conducted regular safety inspection so as to make timely retification for the safety hazards identified and take corresponding measures to matters beyond control in a timely manner.

The Safe Production Management Regulations issued by the Group in October 2015 also provided clear requirements on the safety management system of the project contractors. All contractors and construction entities of all kinds of projects shall implement the project contracting safety management system set out in the above regulations. The Company conducts regular inspections on the qualification, safety and quality assessment of the contractors, requires the contractors to make written safety commitments and sign the Contracting Project Safety Agreement so as to ensure that the construction staffs receive safe production training and the special operating personnel possess safe operation certificates. The Company also frequently supervises the safety of the construction sites, rectifies the unsafe behaviours and provides safety reeducation to the persons in breach of relevant rules. Upon the completion of construction, acceptance inspections shall be conducted on the quality and safety of the projects, and written assessment shall be issued for the projects.

Working Targets of Safe Production Responsibility Signed and Committed by the Group in 2016

- The control indicator of work-related fatal accidents of staff at the construction sites, property and office, operation premises and the respective entities shall be zero.
- The number of material and significant accidents shall be zero.
- There shall be no production safety accidents at medium-high or higher level which have significant impact to the society.
- The coverage of inspection on safe production shall reach 100%, and the staff training rate of safe production shall reach 100%.
- The rectification rate of all major potential accidents shall be 100%.
- Other safe production targets and tasks set by the departments at higher level shall be completed as scheduled.

Safe Production Management of Major Businesses:

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— **Infrastructure Investment and Operation**: In 2016, special inspections and regular inspections were integrated in the safe production management of Xiangyin Road Tunnel and three to four safety inspections were conducted each month. Any safety hazards identified in the inspections will be rectified immediately to ensure the elimination of material safety hazards. In Xiangyin Road Tunnel, there were 24 staff with high voltage electrician certificates (subject to annual renewal) and 25 staff with low voltage electrician certificates (subject to renewal in every three years), and all certificates were currently in valid period. In 2016, emergency plan was initiated for six times, after which assessments were conducted in a timely manner, which confirmed that the protection in five aspects (namely organization, personnel, vehicles, supplies and communication) met the requirements of the plan.

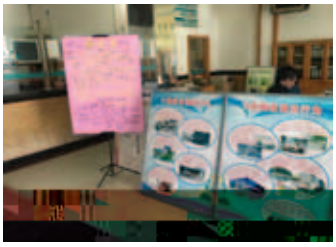
In addition, the Company makes contribution to the five types of insurance and housing funds of all staff in accordance with the national requirements. Moreover, the Company also takes up major diseases inpatient medical insurance, health insurance and accident insurance to provide mulit-layer protection mechanism. The Company organizes all staff to receive health examination once every two years and female staff to receive gynecological exminiation once a year. All staff are required to receive induction training and learn professional skills required before beginning the work. The staff of certain positions are required to possess relevant certificates to avoid any damage or injury due to imcompetence.

3.1.3 Overview of Employees' Development and Training

In order to support the personal development of the employees, all business segments of the Company organizes or finances various kinds of "on-the-job training" or "external training" for the employees in accordance with relevant requirements.

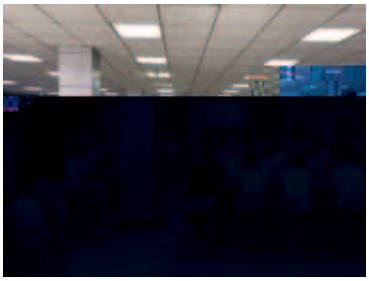
— Urban Transportation Business:

The Company carries out monthly driver safety training with different topics and focuses on special attention to be paid in respect of safe driving, knowledge of driving safetly on the road and protective driving skills. In 2016, in order to actively provide support to the correction of illegal driving activities in Shanghai, all branches of Dazhong Taxi carried out special training for their drivers in the form of collective learning and targeted promotion to strictly prohibit the drivers from refusing of hire, making detour, charging excessive fare and other rule-breaking activities during operation. Meanwhile, Dazhong Transporation sorted out 39 kinds of illegal activities based on the opinions from the municipal traffic department to remind the drivers to drive safely in accordance with the laws during operation. Moreover, all branches of Dazhong Transportation placed the publicity boards in the company lobbies which showed the top ten currently most common illegal actitivities to remind the drivers to stay alert at all time. In addition, the Company's fleet organized the drivers to make commitment of driving politely by signing on the safe driving proposal.





In 2016, Dazhong Chuxing organized the drivers to receive a total of 85 trainings in relation to safety awareness and energy saving awareness. There were approximately 60 participants in each training which lasted for about two hours. Main topics of the training included service skills, safe driving skills, vehicle maintenance and management skills, special attention to be paid during operation and others. Trainings were conducted in the form of slideshows briefing, videos and animiations and experience sharing by outstanding drivers.





— City Gas Business:

In 2016, Shanghai Dazhong Gas organized the staff to receive trainings in safety awareness and operating skills which lasted for one day to two and a half days. A total of 243 employees participated in the employee induction training, 97 team leaders participated in the annual safety training, and 200 persons in charge of safe production and management personnel participated in the training of safety awareness. In addition, a total of 170 employees participated in the special training of operating skills in relation to pipe, storage and transporation, installation and repairing of gas appliance, pressure regulating and operation. In 2016, Nantong Dazhong Gas organized a total of 25 employee safety trainings with total participants of 1,597 persons. In addition, Nantong Gas acitively carried out employee training activities in various topics such as working skills, office system operation and legal knowledge.







— Wastewater Treatment Business:

Jiading Sewage organized the employees to received regular safe production education and trainings in various topics such as electrical safety knowledge, fire prevention and safe escape and safety protection in wastewater treatment plant. In 2016, Jiading Sewage organized eight employee trainings in respect of safe production. In 2016, Xuzhou wastewater treatment plant organized a total of 24 employee trainings with main topics of safe production, energy saving and consumption reduction, compliant discharge, emergency drills, etc. There were 12 to 15 participants in each training which lasted for about one hour.









— Infrastructure Investment and Operation Business:

Xiangyin Road Tunnel carried out a total of five trainings in 2016. At the beginning of the year, safe production and comprehensive management training was carried out with 66 participants; in Feburary, 28 team leaders and management at higher level received the training in relation to laws and regulations; in May, “5.25” traffic promotion day training was carried out with a total of 38 drivers participated in the training; in June, “Safe Production Month” employee safety training was carried out for all staff; in November, “11.9” fire prevention day and “11.15” public safety day trainings were carried out for all staff.





In addition, the Company actively carried out various recreational activities to enrich the employees' leisure time. The league and trade union organized and held the 2016 "Dazhong Public Utilities Cup" employee tennis competition. At the night of 19 December 2016, the finalists presented an excellent game at the outdoor tennis court of Shanghai Xijiao Sports Center.

On 22 May 2016, the group company organized the employees to participate in the 2016 Dazhong Public Utilities "Happy and Healthy Walking" team building activity in Century Park, and all management personnel of the group company and expatriate management personnel participated in such activity. Such activity further cultivated the spirit of teamwork, strengthened the communication and cooperation between the employees and improved the employees' recognition and understanding to the corporate family.

3.1.4

3.2.2 Summary of Anti-corruption Measures of the Company

Dazhong Public Utilities Group has formulated corporate policies in relation to anti-corruption in strict compliance with relevant laws, national regulations and policies. In 2016, no legal proceedings in relation to material corruption were identified in Dazhong Public Utilities Group and its subsidiaries. The Company implements rotation mechanism for procurement posts for management on a regular or irregular basis. Procurement personnel shall sign the letter of commitment for integrity (or similar guarantees) to undertake to refuse any rebates or benefits from the suppliers during the procurement process, avoid actions in conflict with the interests of the Company and report to the Company for any conflict of interests in a timely manner. The letter of commitment for integrity provides specific provisions in respect of the punishment for procurement personnel in



The members of “Women Volunteer Team” of Dazhong Taxi visited the elderly home regularly to provide services to the heirless elderly such as hairdressing, nail cutting, shoe polishing and brought gifts to them.



On the World Autism Awareness Day on 2 April, the taxies of Dazhong Taxi were tied with blue ribbons on the rear-view mirrors to call for care and attention of children with autism.



Before the Chinese New Year, volunteers of Nantong Gas carried out voluntary service activities to repair the gas appliances for the residents in Baihua community.

In addition, Dazhong Chuxing is expected to launch the product of school transportation in fall 2017 to provide the most convenient and quality services to the families with no time to send their children to school or pick them up from school. Dazhong Chuxing has joined the China Taxi Industry Alliance and expanded the onlince car hailing platform to different cities to provide free services to local standard taxi companies which enabled the local residents to hire local standard taxies in a convenient and quick way. The Dazhong Chuxing platform provides big data support to help the traffic administration departments to quickly obtain accurate information of city traffic operation thereby formulating effective management measures.

— Publication of Knowledge of Safe Use of Gas:

The Company organized various activities to promote the safe use of gas for the residents of the community, which included service booth of safe use of gas, safety seminar, safety publication board

4.2 strategic and organizational framework

4.2.1 The Company's Core Competencies and the Manner in Which They Can Contribute to Sustainable Development

Environment:

The transporation business under Dazhong Public Utilities Group is one of the most important taxi operators in Shanghai, which possesses thousands of vehicles and tens of thousands of drivers. In the future development, the Company will continuously explore the use of clean energy in taxi operation, further optimizaxi

4.2.2 Future Development Strategy and Operation Plan of the Company

(1) Actively carry out effective investment projects, strengthen the Company's sustainable development momentum.

The reserve and expansion of public utility projects are the first priority in the Company's operation in 2017, the long-term and strategic tasks of Dazhong Public Utilities in investment and operation of public utility sector, and also the driving factors for maintaining and improving the Company's core competitiveness and achieving sustainable development. Dazhong Public Utilities will actively seek the opportunities of merger, acquisition and development of domestic and foreign quality projects in gas supply and environment industries, emphasize on increasing the Company's investment proportion in public utility business, and continuously improve the overall profitability of the Company's principal businesses. Meanwhile, it will also explore and facilitate the interaction between the Company's financial business and investment business to form a model of "investment and loan interaction", integrate and adopt various financing models to create new competitive strength, and promote the strategic innovation in the transformation and development of the Company's financial investment business.

(2) Establish a talent reserve system for the Company, carry out talent management based on demand.

Human resources are important for improving corporate competitiveness and gaining competitive strength. Currently, Dazhong Public Utilities is entering the new phase of corporate development. With the gradual expansion of business and continuous enhancement of requirements for management and control, based on the three-year human resources plan of the Company, the Company will accelerate the recruitment and reserve of talents in operation, finance, investment and profession technology sectors needed by the Company to ensure that the demand for human resources will be satisfied in quantity and quality when and where needed. Meanwhile, the Company will further study and optimize the employee performance assessment and incentive mechanism, stimulate the initiative and creativity of employees, and continuously improve the overall competitiveness of the employees, departments and the Company in the market.

(3) Continuously strengthen the banking institution cooperation model, increase the financial leverage ratio appropriately.

Base on the strategic position in the Company's development plan, the Company will actively explore and facilitate the joint establishment of industry fund and equity fund with quality banking institutions and securities brokers, fully utilize the Company's investment, merger and acquisition experiences and resource advantages, identify, reserve and cultivate quality projects and lower the Company's risk from merger and acquisition, and identify and cultivate the best targets for merger and acquisition through flexible fund operation.

The Company will continuously strengthen its capital reserve by way of equity, debt financing and loan in a reasonable manner to meet the needs for future production and operation and project investment of the Company. The Company will fully utilize the issue of debt financing instruments to continuously reduce the financing interest rate and enhance the capital utilization rate of the Company through public issuance. The Company will also increase the financial leverage ratio appropriately and fully utilize merger and acquisition loan and credit limit to provide solid capital protection for the development of the Company's principal businesses.

(4) Strengthen the effectiveness of informatization aided management, optimize and improve the centralized management and control system.

The Company will fully utilize the function of informatization aided management, establish and optimize the informatized and centralized management platform for capital management and control, business management, human resources and support to decision making, continuously improve the Company's level of informatized and centralized management and control, and facilitate the achievement of transition from improving management efficiency to strengthening management effectiveness. The Company will also continuously strengthen its efforts in supervision of internal control and management, continuously optimized the Company's internal management system and procedures, and enhance the management effectiveness of the Company's OA platform.

5 APPENDIX

5.1 terms and abbreviations

APEC	:	Asia-Pacific Economic Cooperation
BOT	:	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, construction, operation and maintenance of municipal facilities in a concession period, during which the enterprise can charge service fees to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government
BT	:	Build and Transfer, a project model whereby an enterprise undertakes the financing and construction of a facility for the proprietor for certain fees to be paid during and upon the completion of the construction
Dazhong Chuxing	:	Shanghai Dazhong Chuxing Information Technology Co., Ltd.
Dazhong Gas	:	Shanghai Dazhong Gas Co., Ltd.
Dazhong Jiading	:	Shanghai Dazhong Jiading Sewage Co., Ltd.
Dazhong Public Utilities, Dazhong Public Utilities Group, Company, we	:	Shanghai Dazhong Public Utilities (Group) Co., Ltd.
Dazhong Taxi	:	Dazhong Taxi & Car Leasing Company
Dazhong Transportation	:	Dazhong Transportation (Group) Co., Ltd.
Jiangsu Dazhong	:	Jiangsu Dazhong Water Group Co., Ltd.
LP	:	limited partner
Nantong Gas	:	Nantong Dazhong Gas Co., Ltd.
OA	:	office automation
PVC	:	polyvinyl chloride
Shenzhen Capital Group	:	Shenzhen Capital Group Co., Ltd.