



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

Environmental, Social and Governance (ESG) Report

March 29, 2018

* For identification purpose only

CONTENTS

1	Corporate Profile	3
1.1	About Us	3
1.1.1	Company Profile	3
1.1.2	Major Businesses	3
1.1.3	Corporate Social Responsibility	7
1.2	Focus of 2017	8
1.2.1	Key Performance Overview	8
1.2.2	Social Responsibility Honours	10
1.3	Corporate Governance	12
1.3.1	Corporate Governance Framework	12
1.3.2	Overview of the Board of Directors	15
1.3.3	Overview of Relevant Stakeholders and Effectiveness of Communication	19
1.4	Business Overview	21
1.4.1	Management of Safety Production	21
1.4.2	Independent Innovation and Management Improvement	22
2	Analysis of Enterprise Environmental Performance	23
2.1	Overview of Relevant Environmental Policies in Key Business Areas	23
2.2	Analysis of Enterprise Emissions	25
2.2.1	Analysis of Related Indicators of Enterprise Emissions	25
2.3	Analysis of Use of Resource by the Enterprise	28
2.3.1	The Main Energy Consumption Structure of the Enterprise	28
2.3.2	Effective Measures of Energy Use Implemented by the Enterprise	30
2.3.3	Analysis of Related Indicators of Enterprise Resource Utilization	31
2.4	Analysis of Enterprise Environment and Natural Resources	32
2.4.1	Analysis of Major Impacts of Business Activities on Environment and Natural Resources	32
2.4.2	Analysis of Protection for Enterprise Environment and Natural Resources	33
3	Analysis of Corporate Social Responsibility	34
3.1	Analysis of the Employment and Labour Status of the Company	34
3.1.1	Overview of Employment Status and Labour Standards	34
3.1.2	Overview of Employees' Health and Safety Assurance	38
3.1.3	Overview of Employees' Development and Training	41
3.1.4	Rules and Measures of Prevention of Child Labour or Forced Labour	43
3.2	Analysis of Current Status of Operation and Management	43
3.2.1	Overview of Supply Chain Management	43
3.2.2	Summary of Anti-corruption Measures of the Company	44
3.3	Overview of Community Investment of the Company	45
4	Future Plans of the Company	47
4.1	External Environment	47
4.1.1	Risks and Future Opportunities from Environmental, Social and Governance Impacts	47
4.2	Strategic and Organizational Framework	48
4.2.1	The Company's Core Competencies and the Manner in Which They Can Contribute to Sustainable Development	48
4.2.2	Future Development Strategy and Operation Plan of the Company	49
5	Appendix	51
5.1	Terms and Abbreviations	51

1 Corporate Profile

1.1 About Us

1.1.1 Company Profile

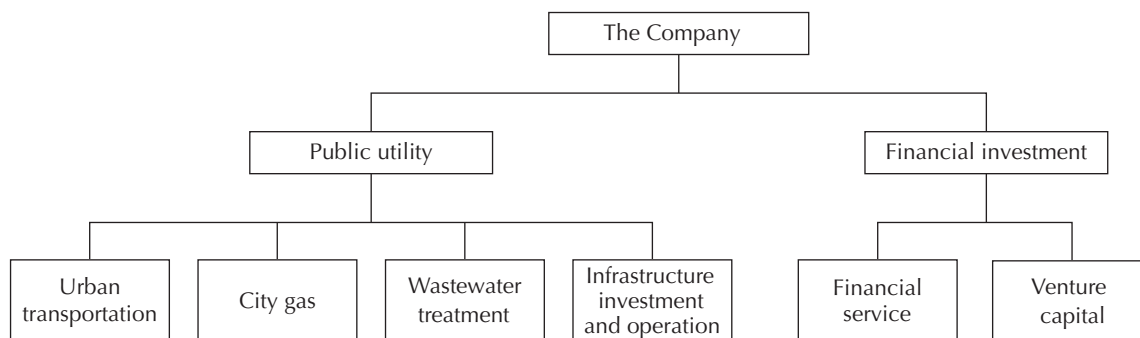
Shanghai Dazhong Public Utilities (Group) Co., Ltd. was established on December 24, 1991, formerly known as Shanghai Pudong Dazhong Taxi Co., Ltd. (上海浦東大眾出租汽車股份有限公司), the first joint stock company in the taxi industry of China. The Company's shares were listed on the Shanghai Stock Exchange on March 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 December 31, 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) urban transportation; (2) city gas; (3) wastewater treatment; and (4) infrastructure investment and operation. Our financial investment business included (1) financial service; and (2) venture capital.

For the year 2017, the Company achieved operating revenue of RMB4,700 million and net profit of RMB556 million. As of December 31, 2017, the total assets of the Company amounted to RMB20.74 billion and net assets amounted to RMB7.24 billion.

1.1.2 Major Businesses

Public utility and financial investment constitute the company's main sources of profit. The following table illustrates the main business segments of DZUG:



— *Public Utility*

- (1) Urban transportation: Dazhong Transportation (stock code: 600611.SH) under the Company is the largest provider of comprehensive transportation services in Shanghai and Yangtze River Delta area, owns varieties of vehicles including taxies, rental cars, logistics trucks and tourism buses, and provides comprehensive transportation and ancillary services such as taxi, car rental, service, logistics and tourism through Dazhong Taxi and Car-leasing. As of December 31, 2017, Dazhong Transportation has 7,803 taxis through its subsidiary Dazhong Taxi, and its Dazhong Chuxing platform has 465 vehicles in car-hailing service. In 2017, Dazhong Chuxing has become the first platform in Shanghai to hold the operation qualification of the ride-hailing service. Meanwhile, Dazhong Chuxing has developed a taxi scheduling business to 13 cities across the country, and successfully hosted the “China Taxi Development Forum”, together with the key domestic enterprises, to further improve industry influence. As of December 31, 2017, the number of registered taxi drivers in ride-hailing service platform has reached 16,000, with more than 1.1 million registered users and over 5,000 daily rides.

Relationship with the corporate social responsibility: With the construction of Shanghai’s “five centres” in international economy, international finance, international shipping, international trade and international innovation, a demand for daily travels in Shanghai and the demand for taxis and ride-hailing services are growing. Dazhong Transportation adopts the strategy of “the real economy and the Internet”, through the vehicle online scheduling platform that effectively shortens the taxi passengers’ waiting time, reducing vehicle empty loading rate and unnecessary energy consumption. At the same time, the use of the ride-hailing platform has also improved the operation efficiency and service quality of the fleet, providing a more humane and convenient travel service for Shanghai residents.

- (2) City gas: The gas companies under the Company principally engage in the provision of piped gas and related services. The main business development trend of the gas sector is obvious, the production supply is stable and controllable, and the operating performance is steadily improved. At the same time, the company has become the first enterprise to carry out the “integrated cost control” pilot program. 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. The shale gas technology revolution has greatly raised the world's natural gas reserves, and natural gas has become the most promising energy source in the world. Dazhong Gas has completed the overall replacement of coal gas with natural gas, providing support to the low-carbon and clean lifestyle.

- (3) Wastewater treatment: The Company began to expand public utilities business to the sewage treatment industry in 2003, and now operating wastewater treatment plants with high operation efficiency in various areas of the Yangtze River Delta. All wastewater treatment plants adopt improved wastewater treatment procedures in China, which can basically satisfy the existing requirements and standards of treated water discharge. The current design and processing capacity of Dazhong Jiading is 175,000 tons/day. In the year 2017, Dazhong Jiading had successfully completed the phase I, II, and III of modification works. The sewage treatment standard has been upgraded from level B to level A+.

Relationship with the corporate social responsibility: With the rapid development of the PRC's economy, the problems of shortage of water resources and pollution of water environment are becoming more severe. The wastewater treatment sector of DZUG responded to the call of the Central Committee of CPC and the government, effectively improving the quality of regional water environment and promoting the green development and ecological civilization.

- (4) Infrastructure investment and operation: For many years, the company successfully completed several large infrastructure construction projects in Shanghai and the cities nearby. The main business of investment including tunnels, roads and public facilities construction and operation management. In particular, the company invested, built and operated the Shanghai Xiangyin Road Tunnel via the BT mode, and has the right to operate it for 25 years. In addition, the Company has extended its business scope to Jiangsu province through BT arrangement.

Relationship with the corporate social responsibility: The Company has provided more conveniences for residents' living and entertainment, which effectively improves the quality of life and leisure of residents. In addition, the Company's construction and operation of tunnels and roads have also effectively improved urban traffic congestion and the quality of residents' travel.

— *Financial investment*

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

Relationship with the corporate social responsibility: The country’s “13th Five-year Plan” calls for speeding up the reform of the financial system and improving the efficiency of the financial sector to serve the real economy. Therefore, the financing leasing and the microfinance industry will be more prominent in bridging the financial services and the real economy. This kind of service can help micro and SMEs and rural enterprises to enjoy lower interest rates, more efficient, flexible and accurate loan financing support, so as to more effectively promote the further development of social economy especially the real economy.

- (2) Venture capital: In the era of innovation and entrepreneurship, the company relies on good social network resources, outstanding shareholder resource advantage, strong mediation coordination ability and rich experiences in project investment and exit as well as the advantages of the professional investment team. The Company has five venture capital platforms, including Dazhong Capital and Dazhong Asset Management which are wholly owned by the Company, as well as Shenzhen Capital Group, Hangxin Investment and Xingye Venture Capital in which the Company acts as a minor shareholder.

Relationship with the corporate social responsibility: The “2017 Government Work Report ” clearly put forward the idea of developing a multi-level capital market, increasing the intensity of equity financing, improving the system of the main-board market. The company is actively involved in the cross-industry potential projects and grafted resources to facilitate its financing operation, vigorously promoting the development of innovation industry and real economy.

1.1.3 Corporate Social Responsibility



1.2 Focus of 2017

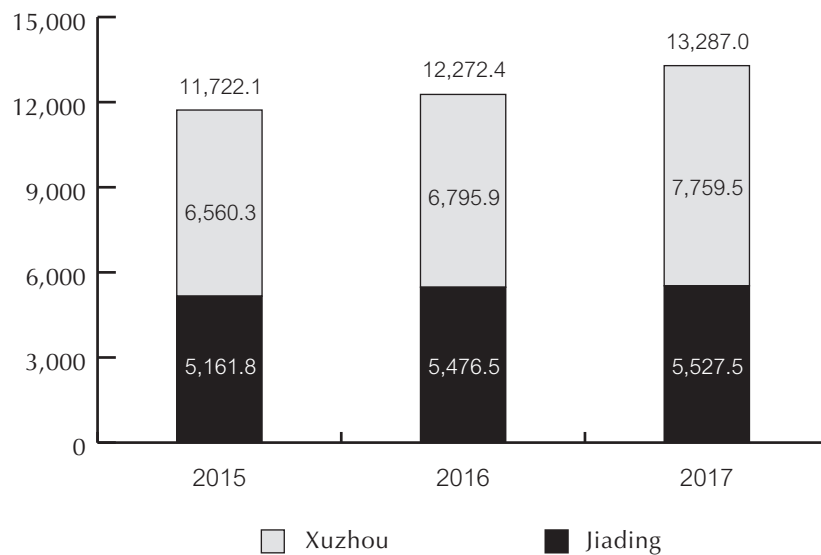
1.2.1 Key Performance Overview

The Company has made significant progress in multiple key indicators related to the environment, and has brought many positive impacts on the social and natural environment in 2017. The key performance indicators of the company are as follows:

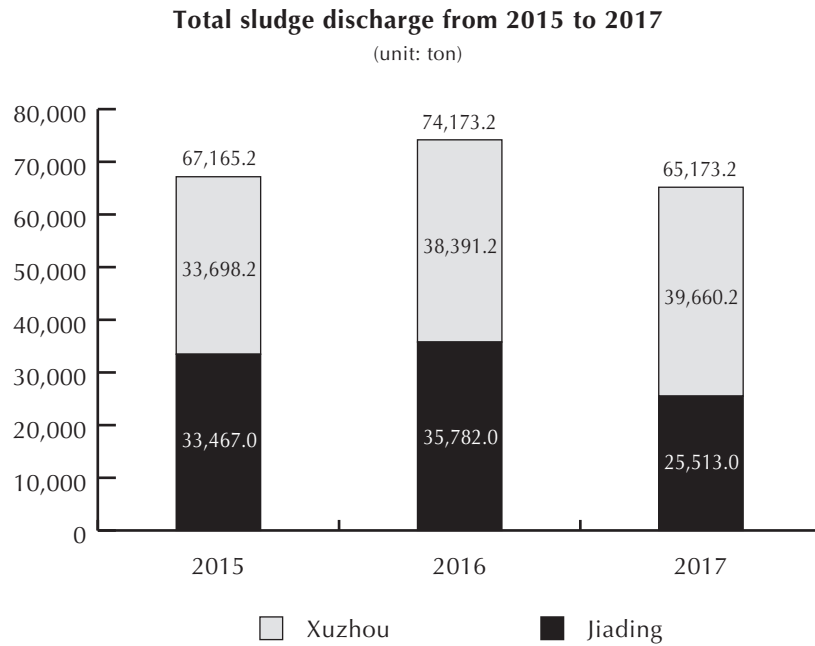
1. The total amount of sewage treatment increased steadily, and the total amount of sludge discharge decreased obviously.

Total sewage treatment amount of DZUG from 2015 to 2017

(unit:10,000 tons)



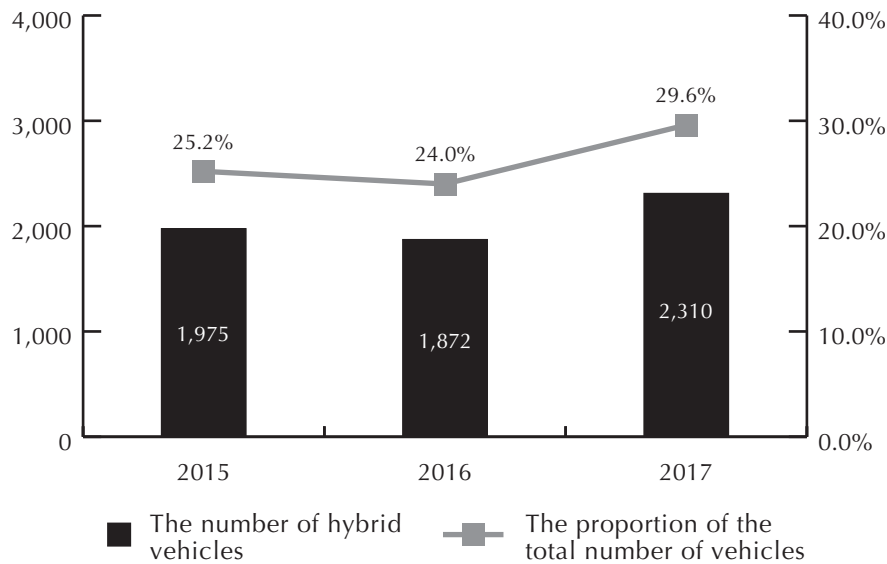
The total amount of sludge discharged in the past three years is shown in the following table:



In the past three years, the company has steadily increased the wastewater treatment capacity, which has increased to about 133 million tons in 2017, up 8.3 percent from the previous year. At the same time, thanks to the sewage plants' sludge drying plan, on the basis of a steady rise of sewage treatment capacity, the Company's sewage treatment plant sludge discharge in 2017 down sharply to about 65,173 tons, a year-on-year decline of 12.1%.

2. The number of hybrid vehicles and the proportion of the total number of vehicles in the public rental market are rising rapidly.

The number of hybrid vehicles and the proportion of the total number of vehicles in 2015 to 2017



The number of hybrid vehicles in 2017 has increased by more than 400, and the total number has reached to 2,310, up 23.4% from the previous year. Meanwhile, the proportion of oil and gas hybrid vehicles increased significantly from the previous year by 29.6%. As the oil and gas hybrid cars' quantity and proportion increase, the company's taxi service can further improve energy efficiency and reduce exhaust emissions, and better achieve the goal of company energy conservation and emissions reduction.

1.2.2 Social Responsibility Honours

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 DZUG 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 honours obtained in 2017:



Group Chairman Yang Guoping was honored 2017 Annual TOP 10 News Figures of Zhejiang Chamber of Commerce



Chairman Yang Guoping of DZUG was re-elected the Chairman of Shanghai Association Of Micro-credit and gave the speech.



DZUG won the 44th place of Shanghai Top 100 Private Enterprises, 58th place of Shanghai Top 100 Service Industry Enterprises, and 33rd place of Shanghai Top 100 Private Service Industry Enterprises.



In 2017, the Shanghai Municipal Commission of Transportation officially issued Shanghai's first "online booking vehicle license" to Dazhong Chuxing.



Dazhong Chuxing won the gold I prize for being the most potential mobile platform in taxi industry.



DZUG was selected as the classic case of financial market in 2017



DZUG's Labour Union Committee was honoured "Shanghai Model Staff Family" by the Shanghai General Trade Union on its years of active exploration and innovative operation

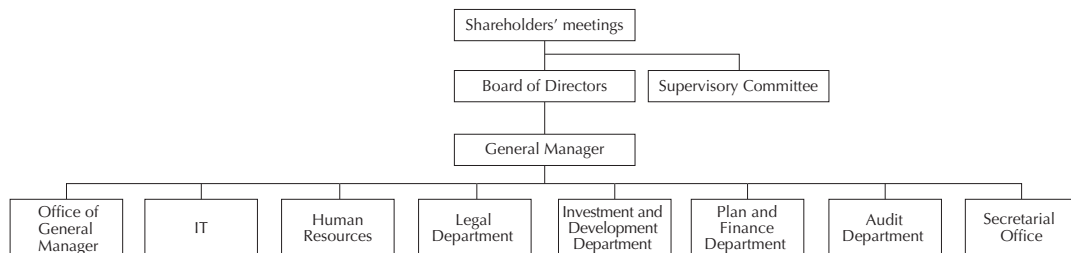


Li Weitao, general manager of Dazhong Financial Leasing, was elected the vice chairman of Shanghai Financial Youth Federation on behalf of the emerging financial institutions.

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) Information Disclosure and Transparency: In accordance with the Administrative Measures on Information Disclosure by Listed Companies and the Company's information disclosure transaction management system, the secretary of the board of directors, the office of the board of directors shall be responsible for the company's external information disclosure and investor relations management. The company shall comply with the requirements of the relevant laws and regulations, and fulfil the obligation of information disclosure in a true, accurate, complete and timely manner.
- (6) Investor Relations and Stakeholders: The Company pays close attention to investor relations maintenance, via the investor hotline and other interactive ways to communicate with them, such as receptions for individual investors, institutional investors and on-the-spot investigation. Since the Company's H-shares were issued, the Company's website becomes completely new, and its simplified, traditional and English versions are fully online, so that more investors can have a better understanding of the company's operation and development.
- (7) Establishment of the Corporate Governance System: According to the China Securities Regulatory Commission's guidelines on the articles of association of listed companies, during the reporting period, due to the IPO of the company's H-shares, the company implemented some over-allotment, so the outstanding shares of the company changed. And because of the expiration of the ninth session of the company's board of directors, the composition of the board members shall be adjusted accordingly base on the structure, number, composition and diversity of the board of directors.
- (8) Insider Information Source Registration Management: During the reporting period, the Company strictly implemented the requirements of Measures on Information Disclosure by Listed Companies and formulated the insider information source management system to ensure the legal and fair information disclosure. During the reporting period, there was no illegal trading of the Company's shares based on insider information.

1.3.2 Overview of the Board of Directors

As of December 31, 2017, the tenth session of Board of Directors consisted of thirteen members, including five executive Directors, three non-executive Director and five 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.

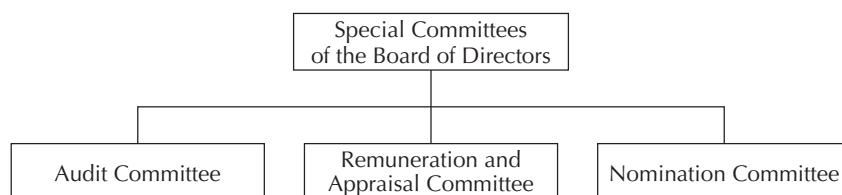
The key information of the Directors:

Name	Age	Gender	Position(s)	Responsibility
YANG Guoping	61	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
LIANG Jiawei	44	Male	Executive Director and chief executive officer	In charge of the daily operations
YU Min	57	Female	Executive Director and Secretary of Party General Branch	In charge of the administrative matters and human resources
ZHUANG Jianhao	56	Male	Executive Director and vice general manager	In charge of the gas sector
YANG Weibiao	48	Male	Executive Director and vice general manager	In charge of the environmental sector
CHAN Wing Kin	66	Male	Non-executive Director	Participating in decision making procedures, but not the day-today management
LI Songhua	57	Male	Non-executive Director (director designated by Shanghai Gas Group)	Participating in decision making procedures, but not the day-today management
CHEUNG Yip Sang	66	Male	Non-executive Director	Participating in decision making procedures, but not the day-today management
WANG Kaiguo	59	Male	Independent non-executive Director, chairman of the remuneration and appraisal committee	Advising on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management

Name	Age	Gender	Position(s)	Responsibility
YAO Cho Fai Andrew	52	Male	Independent non-executive Director, chairman of appraisal committee and member of the nomination committee and remuneration and audit committee	Advising on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management
CHOW Siu Lui	57	Male	Independent non-executive Director, chairman of audit committee	Advising on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management
WANG Hongxiang	61	Male	Independent non-executive Director, chairman of audit committee	Advising on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management
LIU Zhengdong	47	Male	Independent non-executive Director, member of the nomination committee	Advising on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management

The ninth session of the Board of Directors of the Company expired on April 29, 2017, the tenth session of the Board of Directors of the Company renewed on May 25, 2017.

The Composition of Special Committees of the Board of Directors:



Responsibilities of the committees:

(1) Audit Committee

- Providing advice to the board on appointment, reappointment and dismissal of external accountants, reviewing the remuneration and terms of employment of external accountants and handling any questions relating to the resignation or dismissal of the accountants.
- Reviewing and checking whether the accounting firm is independent and objective and the audit procedure is valid, and assessing the impact of non-audit services provided by external accounting firms on their independence, and discussing and communicating on the audit scope, audit plan, audit method and major issues found in audit.
- Reviewing the Company's annual internal audit work plan, supervising the formulation and implementation of internal audit system; reviewing the internal audit work report, evaluating the results of internal audit work, and supervising the rectification of major problems; guiding the effective operation of internal audit department.
- Auditing the company's financial information and its disclosure, and commenting on the authenticity, completeness and accuracy of the financial reports; focusing on the major accounting and audit issues of the financial reports of listed companies, and paying special attention to the possibility of fraud, fraud and material misstatement related to financial reporting; supervising the rectification of financial reporting problems.
- Supervising and reviewing the integrity, rationality, appropriateness and effectiveness of the internal control system and system of the company and its controlling subsidiaries; evaluating the company's existing or potential risks and proposing suggestions to improve the company's risk management.
- Confirming the related parties of the company, reporting to the board of directors and the board of supervisors, and reporting to the relevant staff of the company the related party as confirmed.
- other duties authorized by the board of directors.

(2) Remuneration and Appraisal Committee

- Research directors, managers and other senior management staff assessment criteria, conduct assessment and establish a formal and transparent procedure to formulate compensation policies and make recommendations.
- Working on directors, managers and other senior management staff's assessment criteria, conducting assessment and establishing formal and transparent procedures to formulate compensation policies and giving recommendations.
- Studying and reviewing the remuneration policies and programs of directors, managers and other senior managers and supervising the implementation of the remuneration system.
- Reviewing and approving executive compensation recommendations based on the Company's policies and objectives set out by the board.
- Considering the remunerations paid by similar companies, and the relevant time of work and duties.
- Assessing and approving compensations that shall be paid to executive directors and other members of senior management when necessary, to comply with the contract clauses; in case no agreement with the clauses is made, the compensation shall be fair and reasonable, not too much.
- Ensuring that no director or any of their contacts is involved in determining his or her remuneration.
- other duties authorized by the board.

(3) Nomination Committee

- Studying the selection criteria and procedures of directors, managers and other senior managers appointed by the board of directors and making recommendations.
- Searching for qualified candidates extensively.
- Reviewing the candidates and making recommendations.
- Making recommendations to the board on the appointment or reappointment of directors and the succession plan of directors (especially the chairman and manager).
- Assessing the independence of independent non-executive directors.
- Checking, at least annually, the structure, number and composition of the board of directors (including skills, knowledge and experience aspects), and making recommendations on the changes made to the board of directors in response to the company's strategy.
- 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 Optimization of energy structure Safeguarding the safety of energy and traffic	Complying with national laws and regulations Improvement in corporate governance Accepting supervision review Regular reporting of work
Investor	Stable reporting of investment Open and transparent information Safeguarding shareholders' interest	Regular reporting of operating information Actively organizing communicating activities for investors 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 Fair, just and open management Mutual benefit	Carrying out strategic cooperation Establishing thorough management of bidding and procurement Regular developing exchange activities
Employee	Competitive salary and benefits Fair promotion and development Health and safety Good working environment	Establishing a sound system of employee management Proactive developing training activities Strengthening communication between employees through multi-channels Caring for employees who are in difficulty Developing employee activities
Community and the Public	Service of community development Safe operation of business	Standardizing business management Strengthening interaction with the community
Public Service Agencies	Protecting the ecological environment Caring for vulnerable groups	Developing clean energies 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 management of the Company. The Board of Directors of the Company has always paid great attention to investor relations management. The telephones, mails and visits from investors are patiently answered or treated within the permitted scope of information disclosure in daily work. The Company helps the investors to understand the status quo and development of the Company, to guide the investors to judge the value of the Company objectively, to avoid being misled by false information, to protect the vital interests of them, to listen to their comments and advice carefully in the meantime, forming a healthy interaction with them.

To further strengthen the interaction with investors and build harmonious relations among investors, DZUG joined in the theme activity of “2017 Shanghai Area Listed Companies Investors Collective Reception Day” jointly organized by The Listed Companies Association of Shanghai and SSE INFONET Co., Ltd. under the guidance of Shanghai Securities Regulatory Bureau and Shanghai Stock Exchange.

On the day of the activity, investors log in to the SSE Roadshow website or the WeChat public account to participate in the activity. Mr. Liang Jiawei, Director and Chief Executive Officer of the Company, Mr. Jin Bo, Vice President and Secretary of the Board, and Mr. Zhao Ruijun, Vice CFO communicated with investors through online communications about the operation status, development strategy, corporate governance and refinancing progress, and other issues concerned, answering 40 questions proposed by the investors totally.

The activity further strengthened the communication between the company and investors. Through the interactive communication and online FAQs, the interaction and the mutual trust between the company and investors have been strengthened, as well as the investor relations management has been promoted. The activity better guaranteed the medium and small investors’ rights to information and built a harmonious investment relationship.



— *Customer Relations Management*

DZUG strictly complies with the relevant policies and regulations of People's Republic of China to provide customers with healthy and safe service. The Company also strictly protects customers' privacy in the course of service. In order to provide customers with the best quality service continuously, Dazhong Gas started the operation of an uninterrupted and 24-hour gas hotline 962777 to deal with any gas repair, service consultation, business applications, accounting inquiries, liquefied gas bottles delivery, accepted complaints and others. In 2017, we received a total of 107,771 cases of gas repair with on-site repair rate of 100% and success rate of 100%. The number of cases of gas repair went down about 10.5% from 120,478 in the previous year.

For urban transportation business sector, unlike many other platforms that provide car-hailing services through only mobile application but not telephone, in addition to the launch of mobile application, Dazhong Chuxing also retains the traditional customer service hotline 96822 to meet the needs of the elderly, people with disabilities, foreign tourists and other special groups. Once the passengers encounter problems while taking the cars, they can call the hotline to contact the platform and solve the problem as soon as possible.

1.4 Business Overview

1.4.1 management of Safety Production

— *Urban Transportation*

- Dazhong Taxi: With the new Regulations of Shanghai Municipality on road traffic control formally implemented, Dazhong Taxi carried out the staff training on the new traffic laws, focusing on the relevant regulations on seat belts, and listed the seat belt inspection work as a long-term management item to ensure the safety of passengers.
- Dazhon Chuxing: In 2017, Dazhong Chuxing organized driver safety awareness training for 85 times and the number of participants was 60 each time. The training topics include safety driving skills, vehicle maintenance management skills and cautions in operation.

— *City Gas*

- Shanghai Dazhong Gas organized a number of safety training activities in 2017, including the professional safety training, which aimed at the emergency settlement for special situations, major accidents and fire fighting. As a result, the training effectively improved the employees' safety awareness and operation skills for production. Nantong Gas always attaches importance to the training of employees' safety production skills. No serious safety accident happened in the whole year of 2017.

— *Wastewater Treatment*

- Dazhong Jiading has completely finished the renewal project in 2017. The production equipment has been updated in several wastewater treatment processes, and the flow of the process has been improved so as to better ensure the safety. The safety training for staff in Dazhong Jiading has been normalized, and the training content was attached to the safety issues that employees may encounter in daily operation, such as electrical safety knowledge, fire prevention and escape, and confined Spaces training for toxic and harmful situation.

— *Public Infrastructure and Operation*

- Xiangyin Road Tunnel carried out several safety drills in 2017, including drills for flood and typhoon, emergency settlements for holiday rushes, and drills for fire fighting capacity. As a result, the safety emergency response ability of Xiangyin road tunnel was strengthened. Now Xiangyin Road Tunnel has 20 staff with high voltage electrician certificate and 16 staffs with low voltage electrician certificate.

1.4.2 Independent Innovation and Management Improvement

— *Urban Transportation*

- Dazhong Chuxing's fixed vehicle terminal rear-view mirror system was certified as the national intellectual property: In December 2017, Dazhong Chuxing's fixed vehicle terminal system and the intelligent rear-view mirror system received the computer software copyright registration certificate issued by the national copyright administration. The two technologies were the first dedicated software for the network of vehicle terminal equipment in China, and the intelligent rear-view mirror system has filled the technical gap in the field of ride-hailing.

- Dazhong Chuxing signed the strategic cooperation with Mudan Airlines to initiate an intelligent experience of airport travel: In April 2017, Dazhong Chuxing reached a consensus with Mudan Airlines to launch the first stage of cooperation. The “Dazhong Go” app users in most regions of the country can enjoy the air service from Mudan Airlines.
- *City Gas*
- Since it is an effective way to reduce the social gas accidents by improving the common sense of user safety and enhancing the publicity of residents’ gas safety, Dazhong Gas set up a volunteer team to promote the safety awareness for fuel gas users, such as distribution of publicity materials, providing free security service and gas safe use training and so on.
- *Wastewater Treatment*
- Jiangsu Dazhong replaced the roots blower with the air suspension fan in 2017. The fan has the advantages of energy saving, low noise, no pollution, easy maintenance and long service life. It can effectively save 30% to 50% electricity.
- *Public Infrastructure and Operation*
- The Company cooperated with National and Local Government Development Fund and National Engineering Research Centre of Nanometer Technology and Application, providing the background support for the research and development group to apply the air pollutant treatment technology to the Xiangyin Road Tunnel. The experiment obtained the expected effect and effectively treated the PM, CO, HC and other pollutants in the air.

2 Analysis of Enterprise Environmental Performance

2.1 Overview of Relevant Environmental Policies in Key Business Areas

Policies and Regulations	Date of issuance and Issuer	Main content
“List of classification and Management of Fixed Pollutant Discharge Permit” (2017 edition)	July 28, 2017, Ministry of Environmental Protection	It is required that 78 industries and 4 general procedures will be included in the discharge permit management by 2020. Meanwhile, in addition to these industries, if the environmental protection authorities have identified as the key pollutant discharge units and the amount of sewage discharge to achieve the specified amount, they also need to be included in the management of pollution permit.

Policies and Regulations	Date of issuance and Issuer	Main content
National Plan on Environmental Improvements for The 13th Five-Year Plan	April 10, 2017, Ministry of Environmental Protection	The plan will promote about 900 environmental protection standards to be revised and release about 800 environmental standards, including about 100 quality standards and pollutant discharge (control) standards, about 400 environmental monitoring standard classes, basic environmental standards and about 300 regulation standards.
"Emission Standard of Air Pollutants for Urban Wastewater Treatment Plant" (DB31/982-2016)	March 28, 2016, Shanghai Environmental Protection Bureau and Shanghai Municipal Bureau of Quality and Technical Supervision	This standard specifies the relevant regulations including the emission limits of air pollutant from municipal wastewater treatment plant, monitoring and operation management, the requirements of monitoring and the implementation and supervision of the standard.
"Integrated Emissions Standards of Air Pollutants" (DB31/933-2015)	November 30, 2015, Shanghai Environmental Protection Bureau and Shanghai Municipal Bureau of Quality and Technical Supervision	This standard specifies requirements including that of emission control of air pollutant from fixed source, monitoring, supervision and others.
"Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (Amended in 2015)	August 29, 2015, Standing Committee of the National People's Congress	Protecting and improving the environment, preventing from and controlling air pollution, safeguarding public health, promoting the construction of ecological civilization, and promoting sustainable economic and social development.
"Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (Amended in 2015)	April 24, 2015, Standing Committee of the National People's Congress	The People's Republic of China prevents and controls the solid waste pollution on the environment, and decreases the quantity generated and harm of solid waste. These fully and rationally use solid waste and apply the principle of harmless disposal of the solid waste, promoting the development of clean production and recycling economy.
"Environmental Protection Law of the People's Republic of China" (Amended in 2014)	April 24, 2014, Standing Committee of the National People's Congress	Protecting and improving the environment, preventing and controlling pollution and other public hazards, protecting public health, promoting the construction of ecological civilization, and promoting sustainable economic and social development.

Policies and Regulations	Date of issuance and Issuer	Main content
"The Water Pollution Prevention and Control Law of the People's Republic of China" (Amended in 2008)	February 28, 2008, Standing Committee of the National People's Congress	Preventing and controlling water pollution, protecting and improving the environment, ensuring the safety of drinking water, and promoting the sustainable development of comprehensive coordination between economic and social development.
"Discharge Standards of Pollutants for Municipal Wastewater Treatment Plant" (GB18918-2002)	December 24, 2002, State Environmental Protection Administration and State Administration for Quality Supervision and Inspection and Quarantine	This standard stipulates by years the controlling items and standard values of wastewater, waste gas and the pollutants in sludge from municipal wastewater treatment plants.

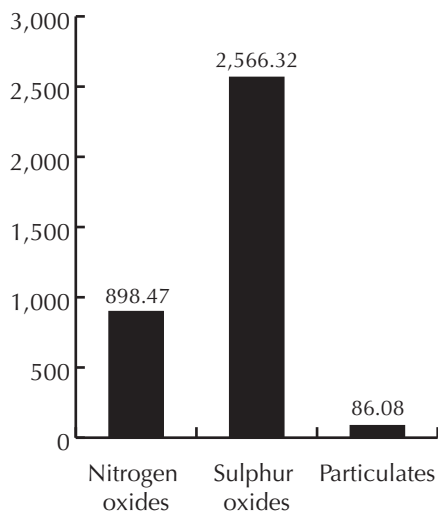
2.2 Analysis of Enterprise Emissions

2.2.1 Analysis of Related Indicators of Enterprise Emissions

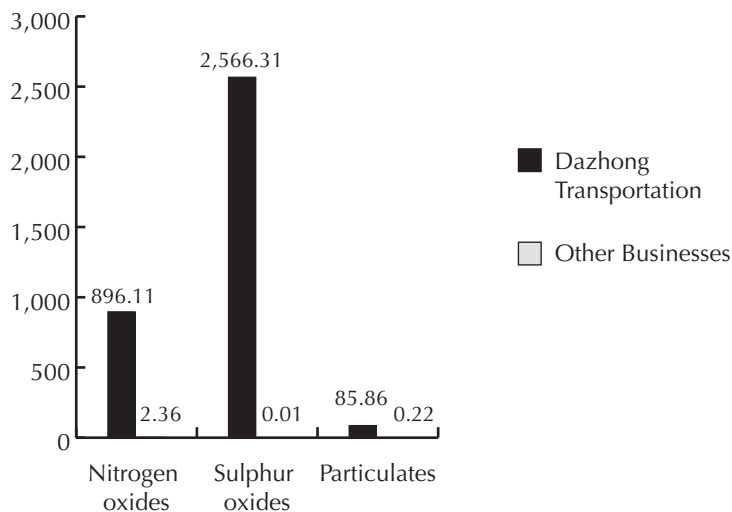
Types of Enterprise Emissions and Related Data

Because DZUG's various businesses involve burning fossil fuels, it emitted air pollutants including nitrogen oxides (NO_x), sulfur oxides (SO_x) and particulate matter (PM). Most emissions come from Dazhong Transportation's burning of petrol and liquefied petroleum gas of motor vehicles.

Emission of Air Pollutants from Dazhong Public Utilities Group for 2017
(Unit: Ton)



Comparison of Emissions of Air Pollutants from Dazhong Transportation and Other Business for 2017
(Unit: Ton)



Total Greenhouse Gas Emissions and Density From Enterprise

Because DZUG's various businesses involve burning fossil fuels, using electricity and others, it caused greenhouse gases (including Scope 1. Direct emissions of greenhouse gas and Scope 2. Indirect emissions of greenhouse gas). The situation of the emissions is shown in the following table:

Type of Greenhouse Gas	Scope 1 (Unit: ton of carbon dioxide equivalent)	Scope 2 (Unit: ton of carbon dioxide equivalent)
Carbon dioxide (CO ₂)	456,279,546.01	34,195.75
Methane (CH ₄)	746,079.25	7.81
Nitrous oxide (N ₂ O)	59,802,029.50	162.37
Total	<u>516,827,654.76</u>	<u>34,365.93</u>

The total emissions of greenhouse gas from DZUG for 2017 were 517 million tons of carbon dioxide equivalent, and the emission density was 0.11 tons of carbon dioxide equivalent/RMB (Yuan) kg/RMB yuan.

The total amount and density of hazardous waste produced by the Company

Emission of hazardous waste from DZUG for 2017 is shown in the following table:

Category	Unit	Total
Used paint bucket	Kg	6.00
Used oil ink cartridges	Kg	3.00
Used fluorescent lamp	Kg	127.90
Used batteries	Kg	<u>0.10</u>
Total	Kg	<u>137.00</u>

The total emissions of hazardous waste were about 137.00 kg in 2017, and the emission density was 2.91 kg/RMB yuan.

All hazardous wastes discharged above have been properly disposed of in accordance with relevant national environmental protection policies and regulations.

The total amount and density of non-hazardous waste produced by enterprises

Emissions of non-hazardous waste from DZUG for 2017 is shown in the following table:

Category	Unit	Total
Solid Waste	Kg	281.00
Sludge	Kg	65,178,060.00
Total	Kg	65,178,341.00

Emissions of non-hazardous waste from DZUG for 2017 was 65,178,341 kg, and the emission density was 0.01 kg/RMB yuan.

Sludge refers to the sludge produced by sewage treatment plant in sewage treatment process, which has been treated with sludge drying before discharge, reducing the moisture content. All non-hazardous waste discharged above shall be properly disposed of in accordance with relevant national environmental protection policies and regulations.

Results of Measures to Reduce the Emission

About 29.6 per cent of Dazhong Taxi's taxis are hybrid. Hybrid cars can effectively reduce the average fuel consumption and reduce emissions from the same mileage and greenhouse gas emissions. In addition, the online car-hailing platform also opens to many taxi companies in the industry, letting taxis locate precisely according to the global positioning system. Online car-hailing platform has effectively solved the taxi driver and passenger information asymmetry problem, helping reduce the empty-car rate, unnecessary mileage and emissions.

Results of Measures to Deal with Hazardous and Non-hazardous Wastes and Reduce Production

Improving the Sludge Treatment Process: Dazhong Jiading implemented a comprehensive improvement of sludge treatment technology in 2017, which can greatly reduce the sludge water content and the subsequent sludge in the process of shipping, and handling cost and energy consumption. In addition, the Jiading wastewater plant has adopted the policy of uniform treatment of sludge and recycling of resources.

Toxic Gas Treatment: in view of the poisonous gas produced in the process of sewage treatment, the Xuzhou-based Jiangsu Dazhong purchased the professional equipment and conducted special personnel training, so as to ensure the immediate treatment of poisonous gases and avoid direct emissions of gas.

Waste Gas Treatment: for the Xiangyin Road Tunnel project, the company built a tower to release emissions from the tunnel. The tower meets the requirements of the relevant national emission regulations and doesn't affect the surrounding people and the environment. Moreover, the Company also works with national and local government's Science and Technology Development Funds and National Engineering Research Centre of Nanotechnology and Application, to apply air pollutant treatment technology with independent intellectual property rights in Xiangyin Road Tunnel, realising the expected air purification effect.

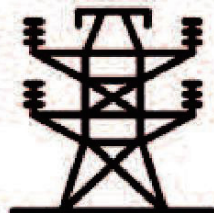
2.3 Analysis of Use of Resource by the Enterprise

2.3.1 The Main Energy Consumption Structure of the Enterprise

For 2017, DZUG's various businesses consumed about 127 million tons of gasoline, 113.32 tons of diesel oil and 151.4 million tons of liquefied petroleum gas, with a total of 142 million tons of fossil fuel. Meanwhile, we also consumed about 43.77 million kWh of electrical energy, and water resources of about 338,900 tons.



142 million tons of fossil fuel



43.77 million KWh
of electrical energy

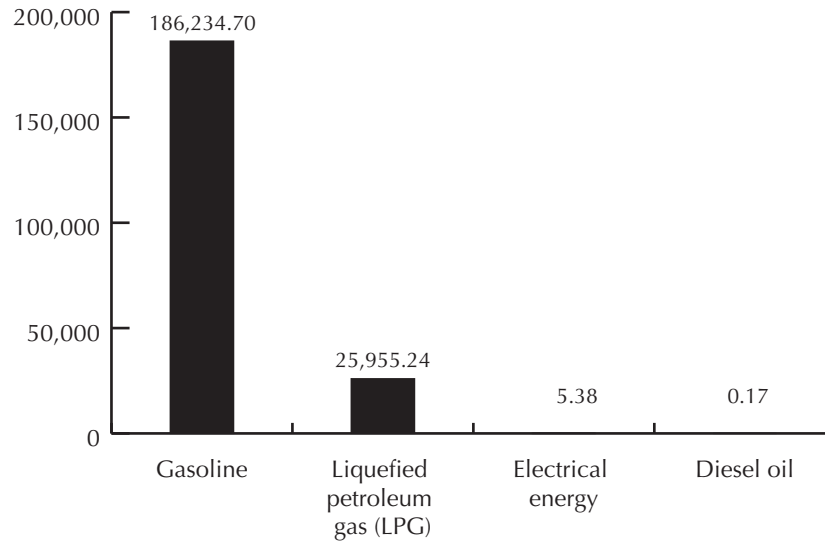


338,900 tons of water resources

For 2017, DZUG's various business consumed a total of about 212.20 million tons of standard coal equivalent, of which 87.77% was gasoline and the rest was mostly liquefied petroleum gas (LPG).

Energy Consumption from DZUG for 2017

(Unit: Kiloton of standard coal equivalent)



About 99.62% of the energy consumption in DZUG for 2017 came from the Dazhong Transportation'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 DZUG (Unit: Kilogram of standard coal equivalent)

Urban transportation	211,390,860,578.58
Wastewater treatment	803,241,388.35
City gas	1,054,977.73
Infrastructure investment and operation	314,527.63
DZUG HQ	11,819.40
Total	212,195,483,291.69

2.3.2 Effective Measures of Energy Use Implemented by the Enterprise

- *Further promoting the use of hybrid fuel vehicles to replace traditional gasoline vehicles*

The total number of vehicles in Dazhong Transportation's business for 2017 was about 7,803, including 2,310 for gasoline and liquefied petroleum gas (LPG) and up more than 400 from last year. In 2017, there were more than 3,600 vehicles in the public transportation platform, including 2,200 hybrids, which accounting for more than 60% of the total, effectively replacing the use of traditional gasoline cars.

- *Introduce new electronic invoice system*

Dazhong Go Platform has updated online car-hailing APP in 2017, which added the new function of issuing electronic invoices in the special car business. Compared with the paper invoice, electronic invoices won't be lost. Procedures like application, invoicing, checking and so on can be carried out on the Internet so the passengers can take at any time. Electronic invoices can effectively reduce paper waste, save printing ink, and produce lower carbon in the travel process, and also respond to the group's strong promotion of paperless office.

- *Energy-saving and Noise Reduction Fan*

In 2017, Jiangsu Dazhong replaced the roots blower with the air suspension fan. The fan has the advantages of energy saving, low noise, no pollution, easy maintenance and long service life. It can effectively save 30% to 50% electricity.

- *Emission Reduction Projects for Dazhong Wastewater Sector*

In 2017, Jiangsu Dazhong completed the expansion project and the reconstruction project, improved the wastewater treatment process, updated the processing equipment and conducted personnel training. The project effectively improved the efficiency of wastewater treatment and lowered the energy consumption. The project successfully achieved the expected target that the wastewater treatment capacity increased significantly from the previous year with the quality of wastewater treatment reached the standard of grade A.

- *Effective Sludge Treatment and Resource Recovery*

Dazhong wastewater treatment plants comprehensively improved the sludge treatment process in 2017, including the Jiading wastewater sludge water content from 80% to a minimum 30%, reducing the volume and weight of the sludge, and effectively reducing the subsequent sludge in the process of shipping and handling cost and energy consumption.

2.3.3 Analysis of Related Indicators of Enterprise Resource Utilisation

Energy Consumption and Density of Enterprises by Energy Type

The energy consumption of DZUG in 2017 is shown in the table below:

Unit	Gasoline Consumption for DZUG in 2017
l	174,578,933,775.43
Kg	126,569,726,987.18
kgce	186,234,696,288.94

Unit	Diesel Oil Consumption for DZUG in 2017
l	133,322.88
Kg	113,324.45
kgce	165,125.05

Unit	Liquefied Gas Consumption for DZUG in 2017
l	26,104,193.07
Kg	15,140,431,980.00
kgce	25,955,242,543.31

Unit	Electric Energy Consumption for DZUG in 2017
Kwh	43,770,011.20
kgcc	5,379,334.38

DZUG used all kinds of energy of 212,195,483,291.69 kg standard coal in 2017, and the energy consumption density was 45.15 kg standard coal/RMB yuan.

DZUG had a total water consumption of 338,900 tons, and the energy consumption density was 0.72 tons/RMB yuan.

The Energy Use Benefit Plan and the Results Obtained by the Enterprise

- The “Dazhong Go” Platform Continues to Increase Hybrid Cars: the total number of ride-hailing vehicles has reached more than 3,600, with the number of hybrid cars reaching 2,200. It was a significant increase from last year, accounting for more than 60%, effectively replacing the use of traditional gasoline vehicles.
- Wastewater Energy Saving Treatment Plan: the Jiangsu Dazhong replaced the roots blower with the air suspension fans in 2017. The fans have the advantages of energy saving, low noise, no pollution, easy maintenance and long service life. It can effectively save 30% to 50% electricity.

Whether The Enterprise Has Problem Seeking Suitable Water Sources

According to the environmental protection policies and regulations, DZUG has no problem in the application of suitable water sources.

In 2017, DZUG has consumed 338.9 thousand tons of water with an energy consumption density of 0.72 tons/10 thousand RMB yuan. The Company has maintained a relatively stable level of water usage density and water efficiency while keeping a steady growth of the business, and thus achieved high efficiency of water usage and water saving.

The Total Amount of Packaging Materials Used by the Enterprise and the Amount of Each Production Unit

The main businesses of DZUG are urban transportation, city gas, wastewater treatment and infrastructure construction, which do not produce manufactured goods or packaging materials. Therefore, the article does not apply.

2.4 Analysis of Enterprise Environment and Natural Resources

2.4.1 Analysis of Major Impacts of Business Activities on Environment and Natural Resources

DZUG conducts its business operation based on the national environmental protection policies and emission requirements, and carries out strict treatment of the generated emissions and pollutants. All emissions and pollutants have detailed testing and records, and meet the requirements in National Environmental Protection Laws and Regulations.

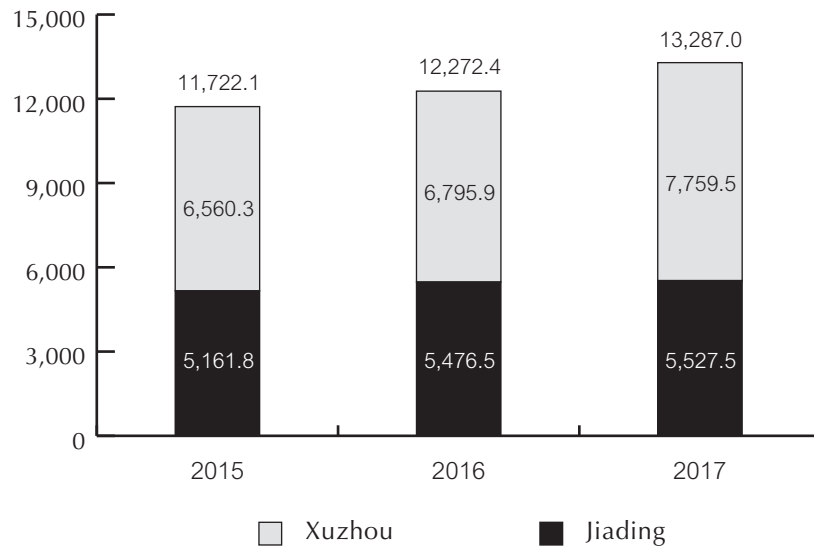
2.4.2 Analysis of Protection for Enterprise Environment and Natural Resources

Total Amount of Wastewater Treatment and Sludge Discharge

The total amount of wastewater treatment for the past three years is shown in the following table:

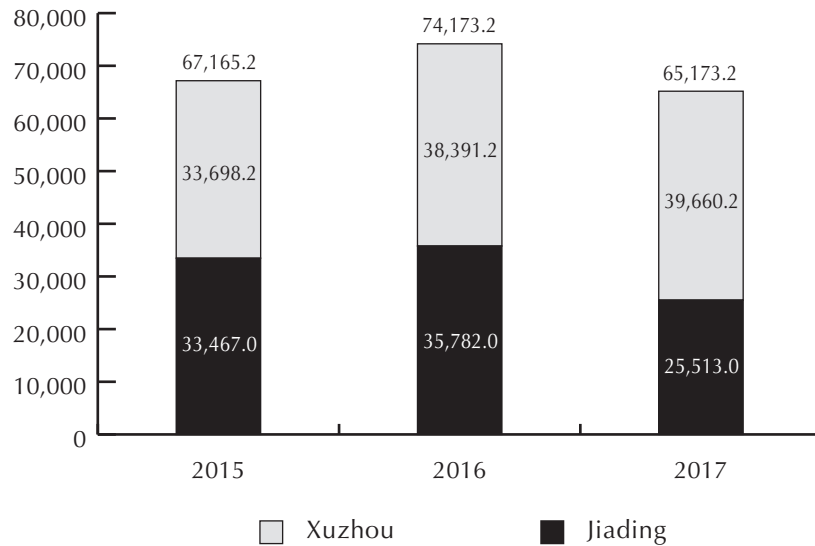
Total Amount of Wastewater Treatment from DZUG from 2015 to 2017

(unit: 10,000 tons)



The total amount of sludge emissions from DZUG in the past three years is shown in the following table.

The total amount of sludge emissions from DZUG in 2015 to 2017



DZUG has steadily increased the wastewater treatment capacity to 133 million tons in 2017, up about 8.3 percent from the previous year. All the subordinate wastewater plants have been upgraded to meet the standards of grade A or A+. DZUG's wastewater plants have effectively improved the water quality and protected the surrounding environment of the relevant areas.

At the same time, on the basis of the steady improvement of the wastewater treatment capacity, the amount of sludge emission from DZUG in 2017 was relatively declined. The annual decline was about 12.1 percent. This was due to the sludge drying transformation project. The project reduced the water content and the weight of sludge, and providing the convenience for the subsequent disposal of sludge, and saving the energy consumption of the transportation processing.

3 Analysis of Corporate Social Responsibility

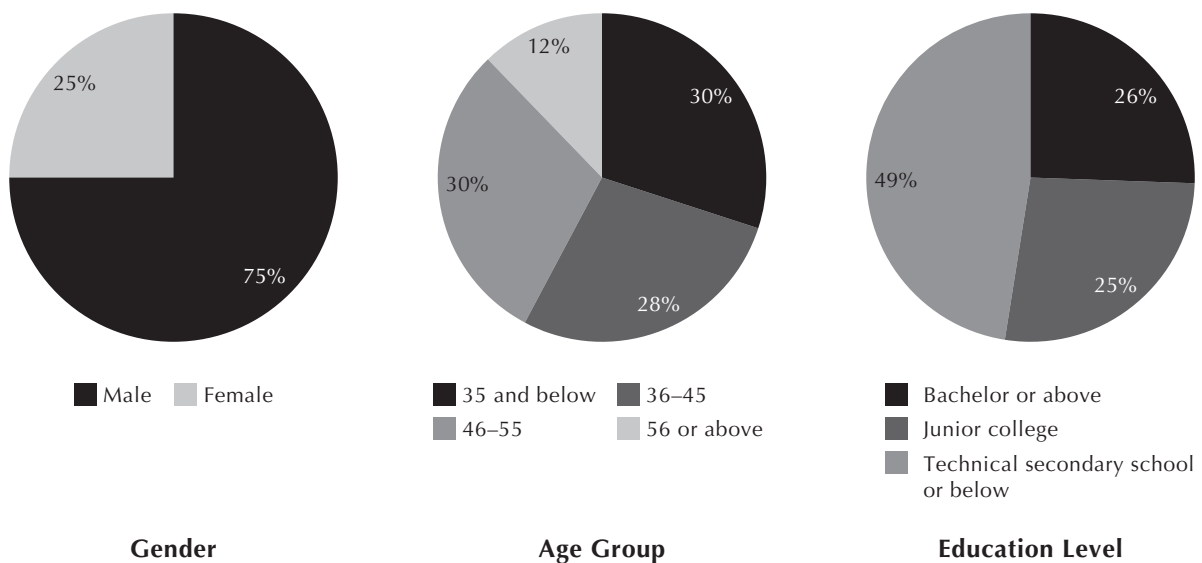
3.1 Analysis of the Employment and Labour Status of the Company

3.1.1 Overview of Employment Status and Labour Standards

DZUG 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 DZUG 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 DZUG by Major Indicators for 2017



As at December 31, 2017 the total number of employees in DZUG and its major subsidiaries was 2,174. The majority of employees in DZUG are male. This is more significant in the business of city gas and wastewater treatment. In order to create a favourable 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 receive gynaecological 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.

Employee Turnover Situation

As of December 31, 2017, DZUG and its subsidiaries had lost 18 employees in total, which accounted for 0.83% of the total number of employees. In order to motivate the employees, the Company regularly gives benefits to employees and honours outstanding employees.

The following are the main activities of DZUG and its major subsidiaries in 2017:

Visiting Frontline Staff under High Temperatures

In July 2017, leaders of the Dazhong Group visited frontline staff from Dazhong Taxi and Dazhong Transportation. They extended warm greetings and sent cooling supplies to those staff who stayed at the front line.



Dazhong Chuxing's Considerate Activities at Year-end

In December 2017, the “Family of Dazhong Drivers” carried out a series of activities to reward the drivers such as work training, drivers’ birthday parties, Christmas promotions and so on. The Family has always assumed the duties of severing the driver and helping motivate those drivers through various training programs. In 2018, the Family will continue to serve the drivers and build the bridge of communication between drivers and drivers.



Dazhong Wastewater Plants Develop Incentive Policies for Employees Based on Performance

Dazhong wastewater plants adopt different incentive policies for employees of different positions and different types of work. In 2017, Dazhong Jiading had selected the outstanding staff and outstanding team of the year. The staff who had outstanding performance would be rewarded in the general assembly. The Xuzhou-based plants carried out similar rewarding activities.

3.1.2 Overview of Employees' Health and Safety Assurance

In order to ensure safe production, DZUG issued the Notice on Strengthening 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 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 rectification 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 re-education 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 2017

1. 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.
2. The number of material and significant accidents shall be zero.
3. There shall be no production safety accidents at medium-high or higher level which have significant impact to the society.
4. The coverage of inspection on safe production shall reach 100%, and the staff training rate of safe production shall reach 100%.
5. The rectification rate of all major potential accidents shall be 100%.
6. Other safe production targets and tasks set by the departments at higher level shall be completed as scheduled.

Safe Production Management of Major Businesses:

— *Urban Transportation:*

- Dazhong Taxi: with the new version of the Shanghai road traffic regulations implemented on March 25, 2017, Dazhong Taxi increased the publicity of the new policy by organizing the drivers who had accidents to participate in special training sessions, and using a large number of safety cases to make those drivers understand the importance of complying with the regulations.



— *City Gas:*

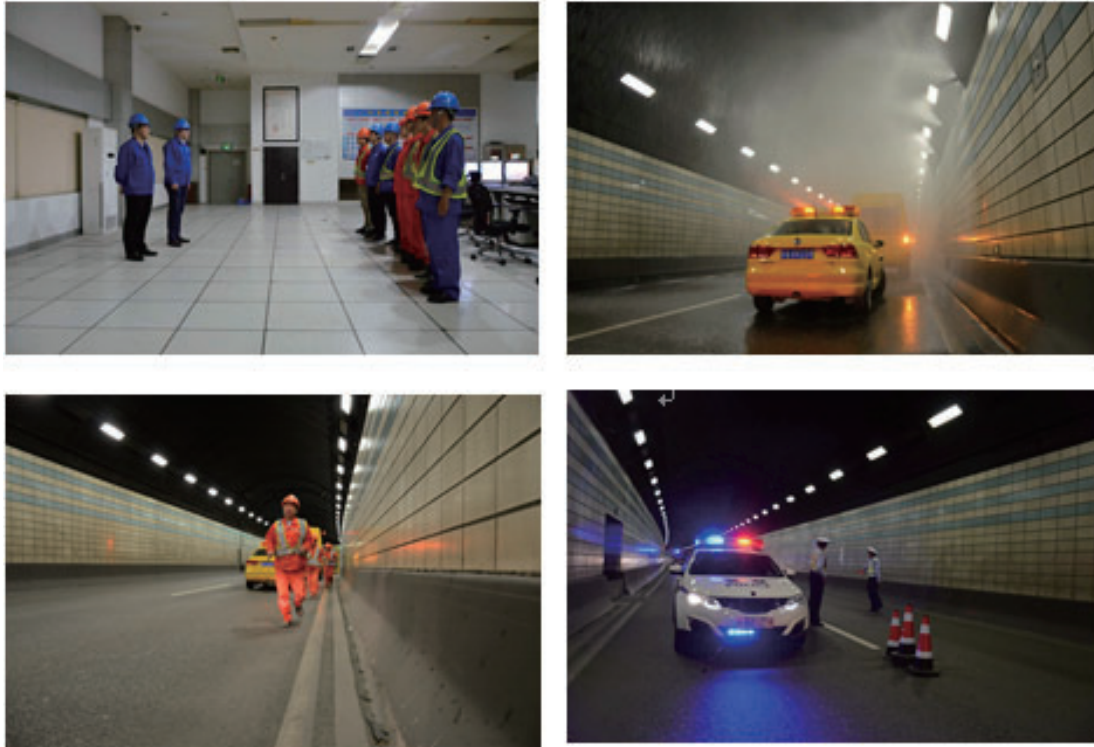
- Shanghai Dazhong Gas: In 2017, a total of 243 staff participated in the safe production awareness training lasted for one day to two and a half days. With the completion of comprehensive use of natural gas and the exit of artificial coal gas, Shanghai Dazhong Gas formulated the new Comprehensive Emergency Plan for Production Safety Accidents in accordance with the newly issued and amended laws, regulations, rules and systems related to safe production and required all subsidiaries to actively implement such plan.
- Nantong Gas: Nantong Gas always pays great attention to responding emergency work. In 2017, Nantong Gas organized 23 drills to enhance the staff's ability of emergency response. 18 emergency drills exercises were organized in April, June and November, and a total of 231 participants participated in these drills. Nantong Gas also organized five fire drills in November with 173 participants participated in the drill.

— *Wastewater Treatment:*

- Dazhong Jiading: In 2017, the Jiading wastewater plant finished the standard improvement and upgrade project phase I, phase II and phase III, replacing the blower and the mud scraper with the new model of low noise and high speed, and improving the sludge drying technology.
- Jiangsu Dazhong: In 2017, the Xuzhou-based wastewater plants carried out 7 emergency treatment drills, including overflowing, fire hazard, blackout caused by thunderstorm and so on.

— *Infrastructure Investment and Operation:*

- Xiangyin Road Tunnel: In order to effectively strengthen the capacity of emergency rescue and coordination organization, the Xiangyin Road Tunnel organized 3 safety drills in 2017. In February, Xiangyin Road Tunnel carried out the drill to make the staffs familiar with the emergency management process of the peak situation of the holiday traffic. In May, Xiangyin Road Tunnel organized the fire hazard drill to further improve the tunnel emergency organization staff to escape and disposal methods, enhance the tunnel fire response capacity, minimize the impact on the tunnel safety accident. In June, Xiangyin Road Tunnel organized a flood prevention drill to strengthen the leadership, strengthen the protection and ensure the flood prevention work orderly.



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:*

- **Dazhong Taxi:** In 2017, Dazhong Taxi held regular training sessions every month throughout the year. The training was mainly composed of on-site training and training via the WeChat platform. The main topics were about the vehicle safety and customer services. There were 13,252 people attending the on-site training per month, and 11,090 people participating in the WeChat-based training sessions.
- **Dazhong Chuxing:** In 2017, Dazhong Chuxing organized 182 training activities in total, topics of the training were on service skills, safe driving, vehicle maintenance and management skills etc. The 182 training sessions included 12 ride-hailing acceptance sessions (300 people attended), 85 safety awareness sessions (60 people attended), and 67 pre-operation sessions (120 people attended).

— *City Gas*

- Shanghai Dazhong Gas: In 2017, Shanghai Dazhong Gas carried out all kinds of pre-operation, on-the-job and safety training activities for the whole year, with 922, 2,814 and 533 employees participated in those training sessions respectively.
- Nantong Dazhong Gas: In 2017, Nantong Dazhong Gas carried out the professional training and assessment for employees of gas management enterprises throughout the year, with 270 employees participated in the training and assessment. In addition, a total of 102 employees of Nantong Dazhong Gas participated actively, and ranked No.1 in the provincial gas industry skills group competition of the third quarter.

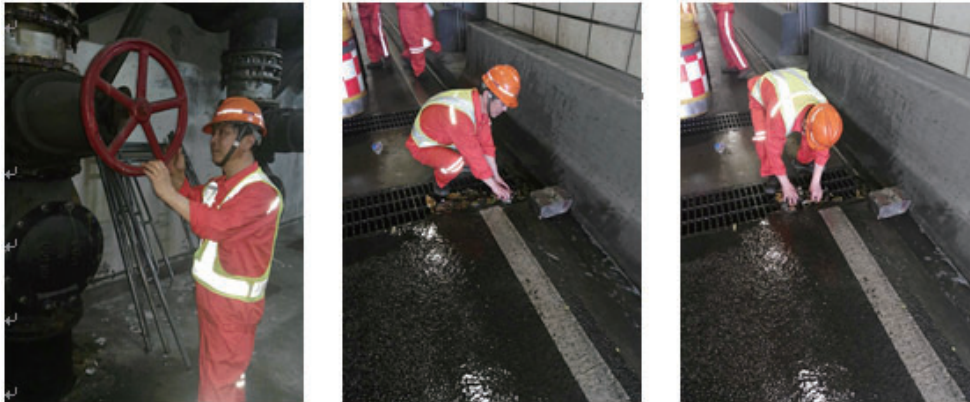
— *Wastewater Treatment*

- Jiangsu Dazhong: the Xuzhou-based wastewater plants organized more than 10 employee training sessions, main topics including the study of rules and regulations, works in laboratories and limited spaces, and personal safety of practical training in winter.
- Dazhong Jiading: In 2017, the Jiading wastewater plant completed the renovation work of the project and the upgrading of sludge drying equipment and other kinds of equipment. In order to familiarize employees with the use of new equipment and ensure the safe production, the Jiading wastewater plant organized 6 employee training activities in 2017.



— *Infrastructure Investment and Operation*

- Xiangyin Road Tunnel: In order to improve the emergency response ability of employees and ensure the operation of Xiangyin Road Tunnel and the safety of vehicles, Xiangyin Road Tunnel company organized five training sessions and six emergency drills in 2017.



3.1.4 Rules and Measures of Prevention of Child Labour or Forced Labour

The Company actively prevents child labour or forced labour during the business operation in accordance with the relevant requirements of the laws, and adheres to the zero tolerance attitude to child labour and forced labour in any form. We also require the elimination of such issue in the assessments of suppliers.

3.2 Analysis of Current Status of Operation and Management

3.2.1 Overview of Supply Chain Management

The group company provided clear requirements on the selection and management of suppliers, actively responded to the Corporate Internal Control and its implementation guidelines issued by five ministries and commissions of the PRC central government as well as the focus points of the management, ensured the compliant management and appropriate selection of suppliers, and ensured the effective control of operational risks resulting from the inappropriate selection, unreasonable approach, malpractice or fraud of the suppliers. In addition, the standard of acceptance inspection for suppliers must be specific to ensure the compliant acceptance inspection procedures and elimination of abnormality in the acceptance inspection. For any abnormality identified in the acceptance inspection, the staff of general manager's office shall find out the reasons as soon as possible and handle the problems in a timely manner.

The Company has established a database of suppliers (including the suppliers with terminated cooperation). The name, address, contact information, scope of operation, length of cooperation with the Company and other relevant information of the suppliers are recorded in the database, and the Company sorts out the database regularly to ensure timely update of the information.

— *City Gas*

Shanghai Dazhong Gas was strictly in accordance with the national standards and Shanghai Gas Group's procurement tendering requirements to implement product quality. There were 66 suppliers met the procurement standards in 2017. Nantong Dazhong Gas conducted the assessment and evaluation of suppliers to ensure that suppliers comply with national laws and regulations in terms of environmental and occupational health and safety. There were 54 suppliers met the procurement standards in 2017.

— *Wastewater Treatment*

The Jiading wastewater plant was strictly in accordance with the Company's existing rules when selecting suppliers, which focused on industry qualifications, performance, prices and services. In the bidding process of all works of the Xuzhou-based wastewater plants, the effective qualifications of the suppliers were checked beforehand. The equipment supplier should have the qualifications for equipment production and supply, and the construction contractors should have the relevant construction qualifications.

— *Infrastructure Investment and Operation*

The Xiangyin Road Tunnel management department would conduct detailed evaluation procedures on the environment, safety and other aspects of the supplier before it is employed.

3.2.2 Summary of Anti-corruption Measures of the Company

DZUG has formulated corporate policies in relation to anti-corruption in strict compliance with relevant laws, national regulations and policies. In 2017 no legal proceedings in relation to material corruption were identified in DZUG 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 violation. For procurement of key large production equipment with relatively large sum of money, the Company will carry out the procurement in the form of public tender and determine the procurement price in a scientific and reasonable manner.

3.3 Overview of Community Investment of the Company

The labour union of DZUG participated in the performance of social responsibilities of the Group, and participated in donation to Red Cross Society of China, Shanghai Branch, targeted support of construction in Kashgar, Xinjiang and Golog, Qinghai and support of education of students in poverty. In order to create a harmonious working environment for the employees, the Company actively organizes the employees to participate in team building activities, development training, employee sport competitions and other activities.

— *Urban Transportation*

- Dazhong Taxi: Dahong Taxi regularly organized the staff to participate in voluntary service activities in 2017. With the great efforts of all, Dazhong Taxi built a good relationship with local communities and established an excellent corporate social image. On the 5th and 20th of each month, a group of staff from Dazhong Taxi would do volunteer activities in their respective communities on public services.



— ***Dazhong Chuxing***

- On March 15 2017, the Hangzhou Taxi Group's Dazhong, Zhijiang, Hexie, Hualyu and Kelyu taxi companies worked with the "Dazhong Go" platform to conduct a public book-giving activity. During the day, all passengers using the "Dazhong Go" platform would be given a consumer benefit protection handbook for free. On April 19, 2017, the 17th Shanghai International Auto Industry Exhibition was held in the National Exhibition Centre (Shanghai). As the public transportation system around the Exhibition Centre was not effectively developed, Dazhong Transportation provided on-site taxi services, covering 40% of the total taxi supply. In May and June, Dazhong Taxi continued to provide the taxi services exclusively for the college entrance examination-attending students.



— ***Dazhong Gas***

- Shanghai Dazhong Gas: to improve users' safety awareness, during 2017, Shanghai Dazhong Gas' business premises established a "safety volunteers" team, who organized 66 publicity activities for gas use safety. For example, on July 16, 2017, the New Huangpu Office organized an activity to give 1,200 publicity documents.
- Nantong Gas: in 2017, Nantong Dazhong Gas continued to provide free-of-charge services, via the "Xu Zhizhou Volunteers' Studio", to extremely-poor residents and elderly people who lived alone.



— **Wastewater Treatment**

- Jiangsu Dazhong: in 2017, the Xuzhou-based wastewater plants organized six community-based public benefit activities. In July of 2017, they worked with the Huhe Village to conduct Party member-related voluntary activities, and provided funds for the renovation of the local Party office. In October and December of 2017, the plants donated some agriculture-related books to the village and helped some families with difficulties to tackle their problems.

— **Infrastructure Investment and Operation**

- Xiangyin Road Tunnel: the Xiangyin Road Tunnel is the designated river-crossing channel for all non-motor vehicles during the ferry-suspension period. Since 2016, the traffic police has been adopting the means of buses and vans to transport the non-motor vehicles and their drivers. However, the time for crossing the river was usually prolonged as the buses and trucks were insufficient. In Q1 of 2017, a specially-designed truck was launched to transport more than 10 non-motor vehicles a time through the Xiangyin Road Tunnel. The Xiangyin Road Tunnel company paid close attention to the planning and the relevant training programs, ensuring the successful completion of transportation.



4. Future Plan of the Company

4.1 External Environment

4.1.1 Risks and Future Opportunities from Environmental, Social and Governance Impacts

Natural resources available for use by the companies will decrease in the future, which brings both challenges and opportunities for our corporate development. In recent years and in the foreseeable future, we have been thinking about how to create more economic and social benefits with limited resources. We continuously explore the use of new energy (especially green energy) in our business operation and how to optimize, integrate and use the resources in a highly efficient manner with the support of the latest information science and technology, thereby achieving sustainable development.

The awareness of environmental protection and sustainable development among the consumers will enhance continuously in the future, which means that the consumers will gradually expect the companies to assume their social responsibilities and make contribution to sustainable development of the society and the environment with their resources. In the future market, the companies' performance in sustainable development may directly or indirectly affect the buying decision of the consumers. In addition, the companies' commercial activities will be more closely linked with the neighbouring community, and the companies shall actively contribute to the community and assume their responsibilities for the development of community.

The PRC's legal system is continuously developing, and more and more matured legal framework and laws and regulations will be launched, which poses new problems and brings growing opportunities to our corporate governance. As such, we will continuously improve our management system and actively respond to the opportunities and challenges in the future.

4.2 Strategic and Organisational Framework

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

Environment:

The transportation business under DZUG 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 optimize the energy structure, reduce the use of traditional fossil energy and achieve low-carbon economy. In addition, we will continue to provide driving training in relation to energy saving and emission reduction to Dazhong's drivers in order to further reduce the carbon footprint. We believe that the continuous efforts of public transportation business in energy saving and emission reduction will bring positive effects to the sustainable development of vehicle leasing industry. With the launch of Dazhong Chuxing platform and its promotion in various cities, we believe that data and information technology has led the public transportation business into a new stage in energy saving, emission reduction and maximized use of resources. In recent years, we continuously improved our ability in environment business and optimized the wastewater treatment business. With the promulgation of new Environmental Protection Law and the implementation of "Ten Measures on Water" in 2015, the government, regulatory authorities and the general public become more and more concern about the protection of water resources. In response to the increasing demand for wastewater treatment, we will continue to improve the wastewater treatment business in terms of technology and treatment volume.

Society:

As the leading public utilities provider in Shanghai, our businesses are highly related to the daily life of consumers, which means our works are closely linked with the community. For community contribution in the future, we will continue to focus on strengthening the interaction with neighbouring communities, increasing the investment in community and encouraging our employees to participate in community services, understand the needs of consumers, provide the most quality services to the consumers and become part of the community. In addition, employees are the foundation for the continuous development of the Company, and we undertake to continue to create friendly and harmonious working environment for our employees, protect the employees' entitlement to reasonable salary and benefits and provide a variety of training opportunities.

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 DZUG 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. DZUG 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, DZUG 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.

- (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

BOT	: The Build-Operate-Transfer model
BT	: The Build-Transfer model
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 Taxi	: Dazhong Taxi & Car Leasing Company
Dazhong Transportation	: Dazhong Transportation (Group) Co., Ltd.
DZUG, DZUG Group, the Company, we	: Shanghai Dazhong Public Utilities (Group) Co., Ltd.
Jiangsu Dazhong	: Jiangsu Dazhong Water Group Co., Ltd.
Nantong Gas	: Nantong Dazhong Gas Co., Ltd.
OA	: Office Automation
PPP	: The Public-Private Partnership
Shenzhen Capital Group	: Shenzhen Capital Group Co., Ltd.

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