



上海大众公用事业（集团）股份有限公司

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

Environmental, Social and Governance (ESG) Report

April 25, 2019

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 2018	7
1.2.1	Key Performance Overview	7
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	14
1.3.3	Overview of Relevant Stakeholders and Effectiveness of Communication	18
1.4	Business Overview	20
1.4.1	Management of Safety Production	20
1.4.2	Independent Innovation and Management Improvement	21
2	Analysis of Enterprise Environmental Performance	22
2.1	Overview of Relevant Environmental Policies in Key Business Areas	22
2.2	Analysis of Enterprise Emissions	23
2.2.1	Analysis of Related Indicators of Enterprise Emissions	23
2.3	Analysis of Use of Resource by the Enterprise	26
2.3.1	The Main Energy Consumption Structure of the Enterprise	26
2.3.2	Effective Measures of Energy Use Implemented by the Enterprise	26
2.3.3	Analysis of Related Indicators of Enterprise Resource Utilization	27
2.3.4	The Total Amount of Packaging Materials Used by the Enterprise in Finished Products and Per Unit of Production	27
2.4	Analysis of Enterprise Environment and Natural Resources	27
2.4.1	Analysis of Major Impacts of Business Activities on Environment and Natural Resources	27
2.4.2	Analysis of Protection for Enterprise Environment and Natural Resources	27
3	Analysis of Corporate Social Responsibility	28
3.1	Analysis of the Employment and Labour Status of the Company	28
3.1.1	Overview of Employment Status and Labour Standards	28
3.1.2	Overview of Employees' Health and Safety Assurance	30
3.1.3	Overview of Employees' Development and Training	33
3.1.4	Rules and Measures of Prevention of Child Labour or Forced Labour	34
3.2	Analysis of Current Status of Operation and Management	35
3.2.1	Overview of Supply Chain Management	35
3.2.2	Summary of Anti-corruption Measures of the Company	36
3.3	Overview of Community Investment of the Company	36
4	Future Plans of the Company	39
4.1	External Environment	39
4.1.1	Risks and Future Opportunities from Environmental, Social and Governance Impacts	39
4.2	Strategic and Organizational Framework	40
4.2.1	The Company's Core Competencies and the Manner in Which They Can Contribute to Sustainable Development	40
4.2.2	Future Development Strategy and Operation Plan of the Company	40
5	Appendix	42
5.1	Terms and Abbreviations	42

1 Corporate Profile

1.1 About Us

1.1.1 Company Profile

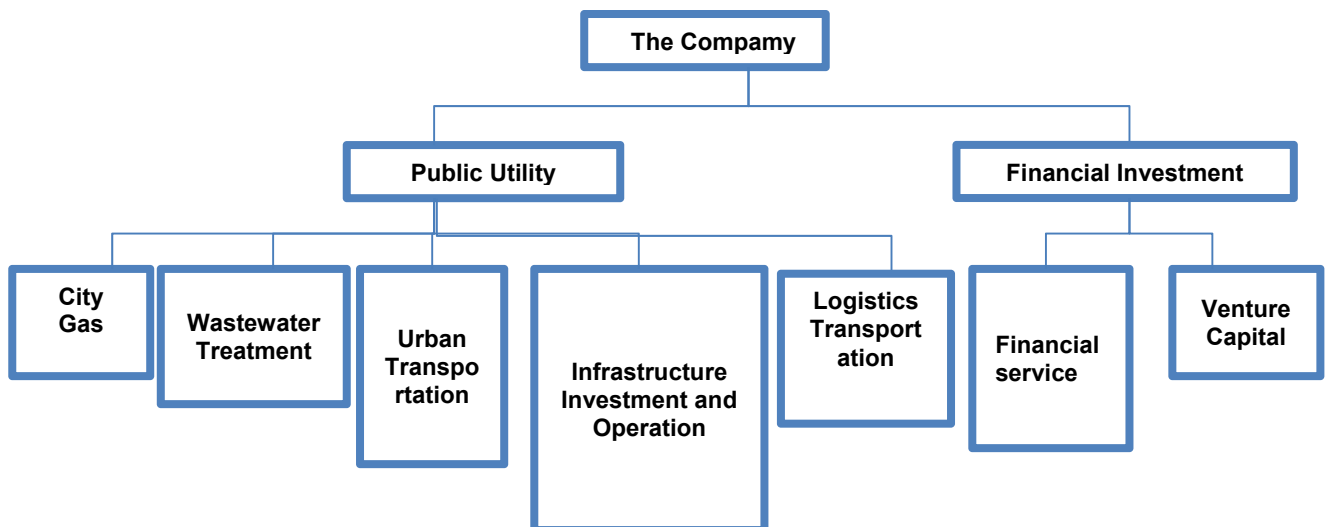
Shanghai Dazhong Public Utilities (Group) Co., Ltd. was established on December 24, 1991, formerly known as Shanghai Pudong Dazhong Taxi Co., Ltd. (上海浦東大眾出租汽車股份有限公司), the first joint stock company in the taxi industry of China. The Company's shares were listed on the Shanghai Stock Exchange on March 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 2018, the Company achieved operating revenue of RMB4.941 billion and net profit of RMB478 million. As of December 31, 2018, the total assets of the Company amounted to RMB21.592 billion and net assets amounted to RMB7.46 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) **City gas:** The Company's natural gas business scope includes gas sales and pipeline construction. The business model is to purchase gas sources from upstream suppliers, sell them to end customers through its own pipe network system, and provide relevant transmission and distribution services. The business area is mainly concentrated in Southwest Shanghai and Nantong, Jiangsu Province. The Company is currently the sole pipeline gas supplier in Shanghai's Southern Puxi District and in Nantong, Jiangsu Province, where it owns and maintains more than 6,500 km and 2,200 km of underground pipelines respectively. In 2016, the Company took a share in Suchuang Gas Co., Ltd. (stock code: 1430.HK) and that brings the stable income to the company. During the reporting period, the company acquired 37.2255% shares of Jiangyin Tianli Gas Co., Ltd., which further increased the proportion of investment in the gas industry and had a positive impact on the improvement of the overall profitability of the gas business.

Relationship with the corporate social responsibility: Natural gas, as a low-carbon clean energy, is abundant in reserves, safe and environmentally friendly, and plays an important role in the world energy structure. The shale gas technology revolution has greatly increased the world's natural gas reserves, and natural gas has become the world's most promising energy source. In response to the *National Strategic Action Plan for Energy Development (2014-2020)* (《能源發展戰略行動計畫 (2014-2020年)》) and the *13th Five-Year Plan for Energy Development* (《能源發展“十三五”規劃》), Dazhong Gas has comprehensively completed the work of "Coal to Gas", replacing traditional gas with natural gas, and providing strong support for people's low-carbon and clean life. Dazhong Gas also actively responds to the Guidance on Energy Work 2018 (《2018 能源工作指導意見》) which was issued by the National Energy Administration, and promotes the comprehensive pilot and special pilot work of oil and gas system reform in Jiangsu and Shanghai, and promotes the construction of natural gas production, supply, storage and sales system, which is conducive to the further improvement of the supply guarantee and operation efficiency of local natural gas.

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

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.

- (3) **Urban transportation:** The urban transportation service business of the Company mainly focuses on the comprehensive transportation, which is operated by Dazhong Transportation (Group) Co., Ltd. (Stock Code: 600611.SH), a subsidiary of the Company. It primarily engages in the development of taxi operation, car rental and other market segments, and provides comprehensive transportation and ancillary services such as taxi, car rental, service and tourism. Dazhong Transportation has over ten thousands vehicles, including taxi, rental car and tourist bus, among which the number of taxi representing around 17% of the total number of taxi in Shanghai city. The taxi operation business of Dazhong Transportation is mainly under subcontracting in Shanghai and mainly under rental and callings of cars outside Shanghai. At the same time, in response to the effects of internet model on traditional taxi industry, leveraging on the advantage of Dazhong brand, Dazhong Transportation launched the “Dazhong Chuxing” platform to provide regular online car hailing services. The car rental business of Dazhong Transportation mainly includes long term and short term rent. Under the operation model, the Company will purchase vehicles and licenses and provide external car rental service in an integrated way.

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.

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

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.

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

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

— **Financial investment**

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

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 :** The venture capital business of the Company is mainly classified as investments in venture capital enterprises and direct investments. There are three major venture capital platforms invested by the Company, which are Shenzhen Capital Group Co., Ltd., Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership) ("Hua Can Fund") and Shanghai Xingye Venture Capital Co., Ltd.. Major performance drivers: The Company increases the revenue from venture capital business by strengthening the investment, management and exit ability of platform companies and funds, while enhancing professional self empower to provide core driving force for sustained and rapid development, and controlling its pace of investment, making judicious decision and implementing risk control to improve the profitability of direct investment business.

Relationship with the corporate social responsibility: The 2017 Government Work Report (《2017 年政府工作報告》) 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 2018

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 2018.

- Key Environmental Performance Indicators for All Sectors of The Company in 2018

• Air Pollution and Greenhouse Gas Emissions

Exhaust and Greenhouse Gas Emissions	Exhaust (Unit: ton)	Proportion	Greenhouse gases (Unit: ton of carbon dioxide equivalent)	Proportion
urban gas	3.04	0.31%	5,355.12	0.09%
wastewater treatment	-	-	34,935.68	0.58%
urban transportation	948.05	96.46%	5,941,132.29	99.11%
Infrastructure investment and operation	0.16	0.02%	2,202.28	0.04%
logistics transportation	31.59	3.21%	10,740.67	0.18%
Financial venture capital (including the group headquarters)	0.02	0.00%	100.82	0.00%
Total	982.86	100.00%	5,994,466.86	100.00%

Note: Air pollution emissions refer to nitrogen oxides, sulphur oxides and particulate matter produced by fossil fuels. Greenhouse gas emissions refer to carbon dioxide, methane and nitrous oxide emitted directly from fossil fuel combustion and indirectly from electricity consumption.

• Energy Consumption

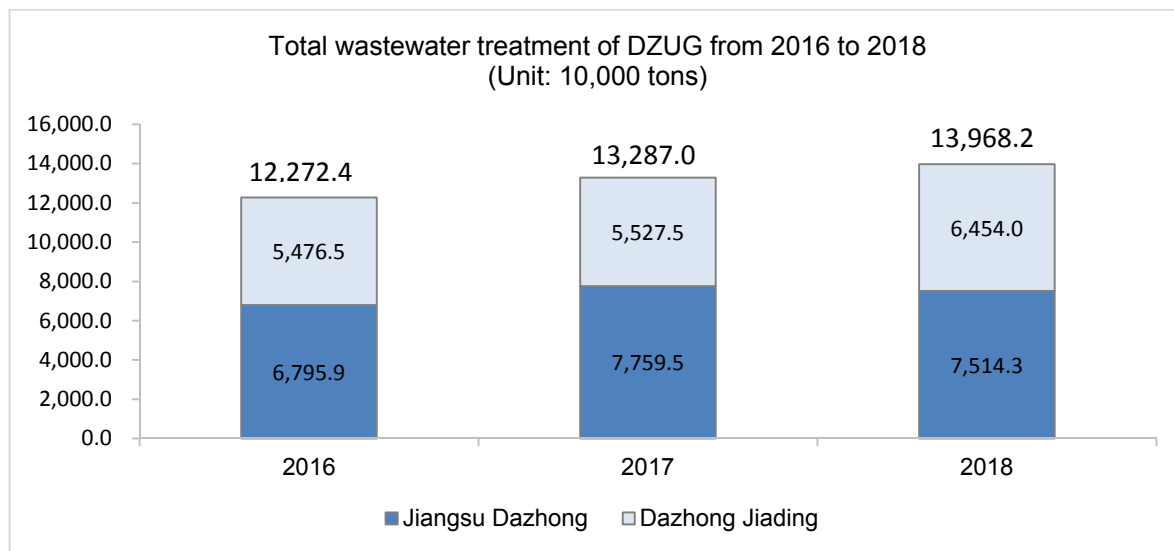
Energy Consumption (Unit: kg of standard coal)	Total	Proportion
urban gas	1,167,903.35	0.03%
wastewater treatment	971,171,732.38	24.59%
urban transportation	2,972,378,304.11	75.25%
Infrastructure investment and operation	354,523.64	0.01%
logistics transportation	4,706,479.51	0.12%
Financial venture capital (including the group headquarters)	37,188.92	0.00%
Total	3,949,816,131.92	100.00%

Note: Energy consumption mainly includes the consumption of fossil fuels and electricity.

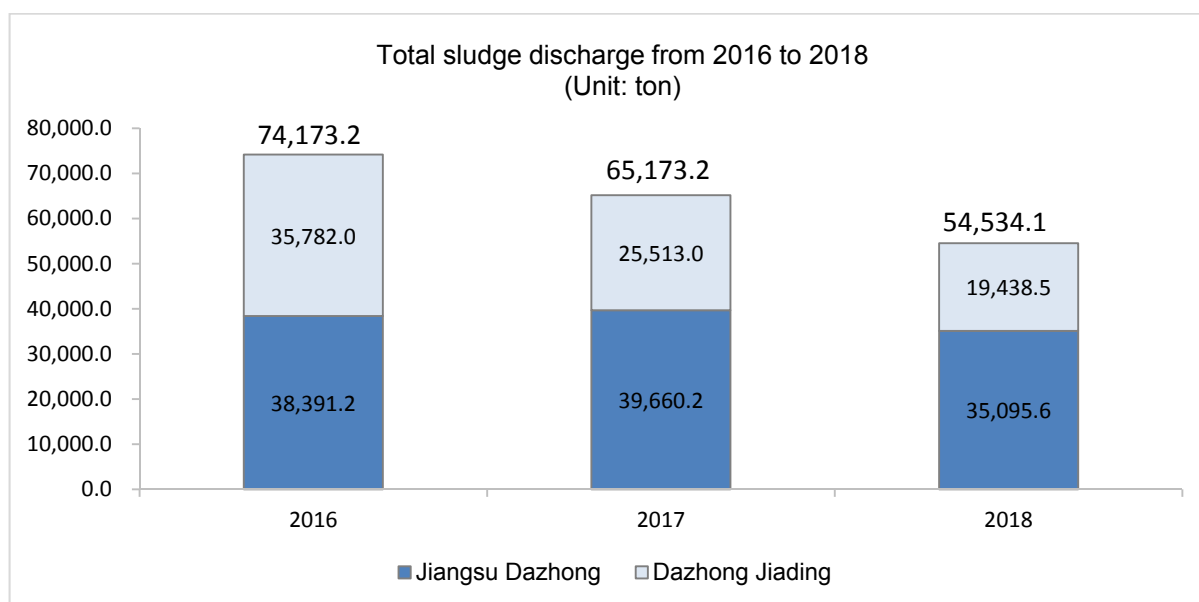
- Major Achievements of the Company in Environmental Protection in 2018

The total quantity of sewage treatment increased steadily with the total quantity of sludge discharge decreased obviously

The total amount of wastewater treatment of DZUG in the past three years is shown in the figure below:



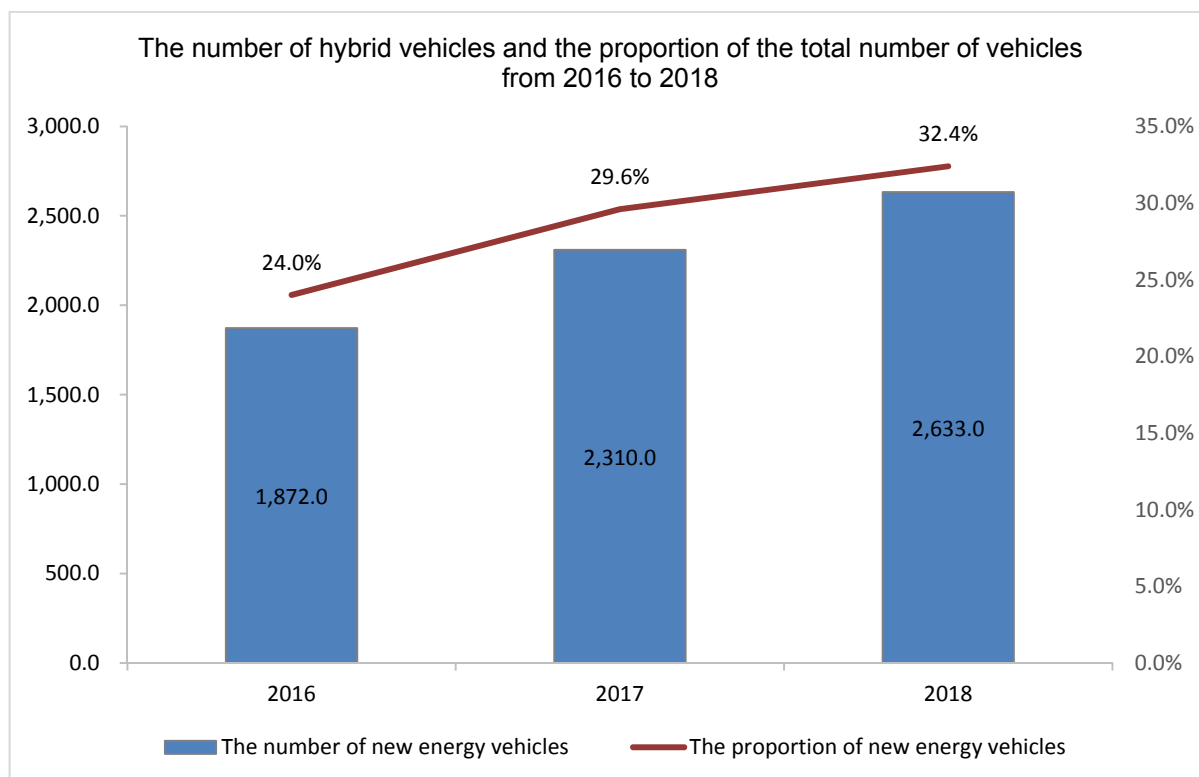
The total amount of sludge discharged in the past three years is shown in the figure below:



From 2016 to 2018, the Company steadily increased its wastewater treatment amount to about 140 million tons in 2018, with a 5.1% growth from the previous year. At the same time, thanks to the wastewater plants' sludge drying plan, on the basis of a steady rise of actual wastewater treatment amount, the Company's wastewater treatment plant's sludge discharge decreased sharply to about 54,534.1 tons in 2018, showing an annual decline of 16.3%.

- The proportion of new energy vehicles is rising rapidly

The number and proportion of Dazhong Taxi's rental oil and gas hybrid vehicles in the past three years are shown in the following table:



The total number of hybrid vehicles of Dazhong Taxi for 2018 increased by more than 200 vehicles to 2,533, increasing with an annual growth rate of 9.7%. Meanwhile, Dazhong Taxi officially introduced electric cars in

2018. As of December 31, 2018, Dazhong Taxi has a total number of 100 electric cars. The total number of new energy vehicles owned by Dazhong Taxi reached 2,633 in 2018, and the proportion of new energy vehicles among the total number increased from 29.6% in 2017 to 32.4% in 2018. The increase in the number and proportion of new energy vehicles enables Dazhong Taxi to further improve the energy efficiency and reduce exhaust emissions of its taxi fleet, so as to better achieve the company's goal of energy conservation and emission reduction. In addition, the company's operation in the logistics and transportation sector also purchased two electric vehicles as a pilot in late 2018 to explore the application field and effect of new energy vehicles in the freight logistics industry.

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 2018:



Group Chairman Yang Guoping was honored 2018 Annual TOP 10 News Figures of Zhejiang Chamber of Commerce.



Yang Guoping, Chairman of the Company, was awarded the "interface gold medal - leader of the year" in the 2018 interface capital BBS jointly hosted by Shanghai press group and cailian news agency. In addition, Jin Bo, Secretary of the board of directors of the Company, was awarded the medal of secretary of the board of directors of the year.



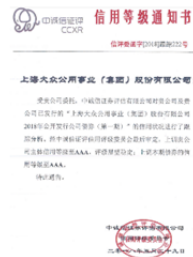
DZUG won the 43th place of Shanghai Top 100 Private Enterprises, 55th place of Shanghai Top 100 Service Industry Enterprises, and 28th place of Shanghai Top 100 Private Service Industry Enterprises.



The Company actively participated in the 2018 China International Import Expo and received the appreciation and commendation from the Shanghai Municipal Government for successfully completing the logistics support work for the foreign guests.



In the 10th series of Legal Seminars on Overseas Investment and Financing of Chinese Enterprises (Singapore special session), DZUG was selected as the classic case of financial market in 2018.

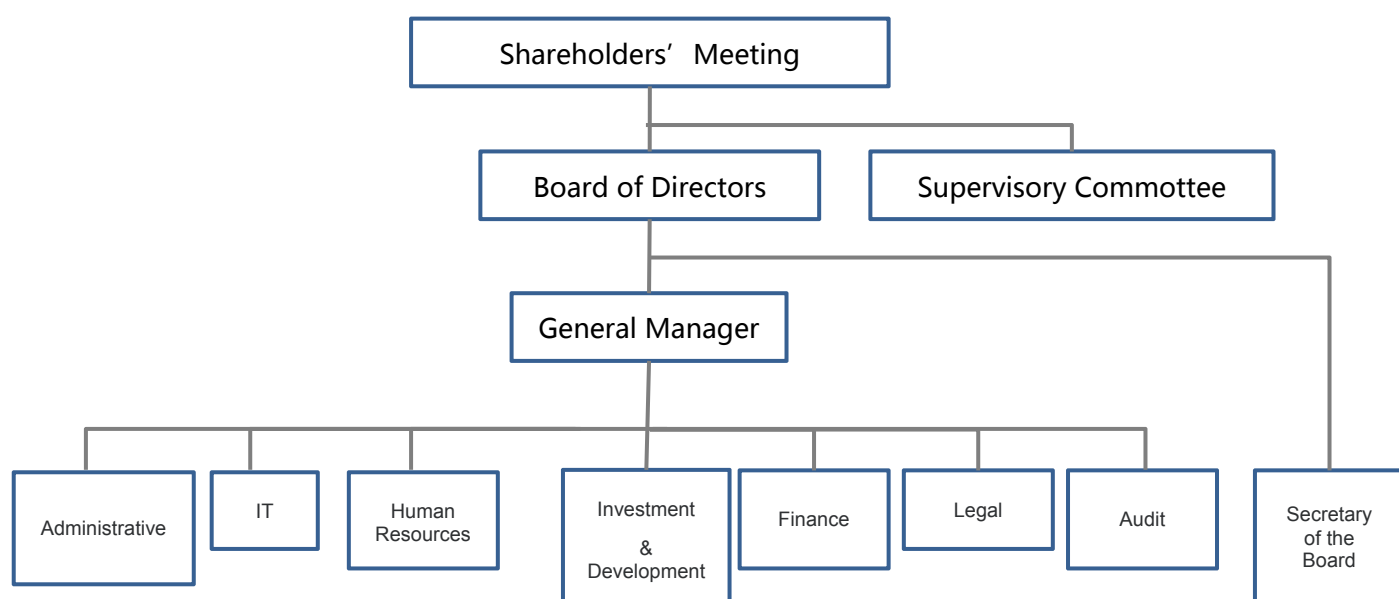


During the reporting period, the Company successfully issued 2018 corporate bonds (phase I and phase II), and the long-term credit rating of the main body of the Company was raised to AAA, the credit rating of "18 public 01" bonds was raised to AAA, and the credit rating of "18 public 03" and "18 public 04" bonds was AAA.

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 accordance with related requirements.



During the reporting period, the Company strictly in accordance with the Company Law, the Securities Law, the Listed Company Governance Principles, the appendix 14 Corporate Governance Codes of Hong Kong listing rules and the Corporate Governance Report, such as relevant laws issued by China Securities Regulatory Commission, Shanghai Stock Exchange, Hong Kong Stock Exchange and regulations and the articles of association of the Company's regulation, perfecting the corporate governance structure, to improve the level of the company's operation, by establishing and perfecting internal control system, continue to promote the standardization and programming management of companies to enhance the level of corporate governance. At present, the Company has established a corporate governance structure with clear rights and responsibilities, checks and balances and an effective internal control system, and operates in strict accordance with the law.

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:** The Company's board of directors is composed of 13 directors, including 5 independent 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

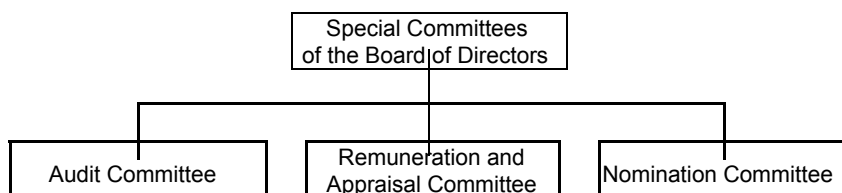
As of December 31, 2018, the tenth session of Board of Directors consisted of thirteen members, including five executive Directors, three non-executive Director and five independent non-executive Directors. The directors shall be elected at the shareholders' meetings, with a term of three years, and 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	62	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	45	Male	Executive Director and chief executive officer	In charge of the daily operations
YU Min	58	Female	Executive Director and Secretary of Party General Branch	In charge of the administrative matters and human resources
ZHUANG Jianhao	57	Male	Executive Director and vice general manager	In charge of the gas sector
YANG Weibiao	49	Male	Executive Director and vice general manager	In charge of the environmental sector

CHAN Wing Kin	67	Male	Non-executive Director	Participating in decision making procedures, but not the day-to-day management
LI Songhua	58	Male	Non-executive Director (director designated by Shanghai Gas Group)	Participating in decision making procedures, but not the day-to-day management
CHEUNG Yip Sang	67	Male	Non-executive Director	Participating in decision making procedures, but not the day-to-day management
WANG Kaiguo	60	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
YAO Cho Fai Andrew	53	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	58	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	62	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	48	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 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.

On September 28, 2018, DZUG participated in the theme activity of "2018 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 30 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 2018, the Company received a total of 141,077 cases of gas repair with on-site repair rate of 100% and success rate of 100%.

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

Measures and achievements of public utilities in safety production in 2018 are as follows:

- **City Gas**
Dazhong Gas organized a number of safety training activities in 2018, 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 2018. In addition, Nantong Dazhong Gas participated in the measurement day activities which was organized by the Municipal Metrology Institute and the Municipal Quality Supervision Bureau in May 2018 to popularize and publicize relevant knowledge of gas meter measurement and safety knowledge of use to residents.
- **Urban Transportation**
With the official implementation of the new Shanghai Road Traffic Management Regulations (《上海市道路交通管理条例》), in addition to the publicity and training of the new traffic regulations, Dazhong Taxi also focuses on the relevant provisions of the new regulations on safety belts, and lists the safety belt inspection as a long-term management project to ensure the safety of passengers. At the same time, the driver service on WeChat pushes the safe driving guide to the drivers from time to time to improve drivers' awareness of safe driving in complex weather and road conditions.
- **Wastewater Treatment**
In the year of 2018, Dazhong Jiading arranged multiple rounds of technical training and assessment, as well as professional training and examination for special types of work, such as deodorization cover training, magnetic levitation fan training, laboratory training exercises, sludge drying training, etc., to help employees adapt to the needs of the Company's technological development and strengthen their awareness of production safety. Jiangsu Dazhong held 2 to 3 safety training sessions every month in 2018, which have effectively improved employees' awareness of safe production and operation.

- **Logistics Transportation**
In the year of 2018, Dazhong Run Logistics organized many trainings on safe driving for drivers, including safe driving in rainy and snowy days and safe transportation of goods, etc., which effectively improved drivers' safe driving skills.

1.4.2 Independent Innovation and Management Improvement

The measures and achievements of the Company in terms of independent innovation and operation management improvement in 2018 are highlighted as follows:

- **Wastewater treatment**

- **Dazhong Jiading:** In the year of 2018, Dazhong Jiading invested millions of yuan in technical innovation and upgrading. It has installed the central air conditioning system of the blower room, upgraded and transformed the laboratory, and purchased additional magnetic levitation blowers, etc., which has effectively improved the wastewater treatment technology capacity and treatment efficiency and met the latest wastewater treatment process requirements.
- **Jiangsu Dazhong:** In 2018, Jiangsu Dazhong invested a total amount of more than 20 million yuan in the technical renovation for Peixian Plant, Phase I upgrading and reconstruction for Donghai Plant, Phase II expansion for Jiawang Plant, and Phase I reconstruction for Qingshanquan Plant. After the completion of the renovation projects, the four projects mentioned above are expected to accomplish a waste water treatment capacity of 55,000 tons per day, Level A treated water discharge, completion and put into operation, and a waste water treatment capacity of 10,000 tons per day for each plant respectively, and to further improve the waste water capacity and discharge standard of Jiangsu Dazhong.

- **Urban transportation**

- **Dazhong Taxi:** In order to respond to the national policy of energy saving, emission reduction and green travel, welcome the arrival of China International Import Expo, improve the image of the taxi industry, and add new members to the "Green Melody" family of Dazhong taxi, 100 Roewe Ei5 electric cars which have no carbon emissions and will not pollute the city's air have been put into operation since September 2018. As these are pure electric cars, the vehicles start with almost no sound. The introduction of pure electric vehicles marks a new step in the innovative development and green travel of Dazhong Taxi, which is conducive to the transformation and upgrading of the traditional taxi industry and the promotion of green environmental protection of urban transportation.

- **Logistics transportation**

- **Dazhong Run Logistics:** After unremitting efforts, Dazhong Run Logistics has become the only supplier of luggage transportation service for heads of state, ministers and business groups of the first China International Import Expo. For the successful completion of the services, Dazhong Run Logistics set up leaders at all levels, the working group, the vehicle capacity, management, scheduling, staffing, project meeting emergency measures and formulate the detailed work plan, the general requirements of "six principles", namely: the command accessibility, capacity, no gap, traffic accident, no flaws, vehicle scheduling without anchor, luggage without error. During the period of China International Import Expo, Dazhong

Run Logistics were more than 200 people, and 120 service vehicles, in 2018 officially entered the run-up in August to November, nearly three months during the period of preparation, the mass run the hongqiao airport to pudong international airport hongqiao railway station of Shanghai railway station four major transportation hub and all entrants hotel each service location to carry on the reconnaissance survey, such as a line driver for all participating services porters and on-site management personnel for three rounds of service training, through the strict review and assessment and sign relevant responsibility undertaking; Carry out technical inspection, repair and maintenance for all the vehicles participating in the service, inspect and repair the appearance of the vehicles, and uniformly make and post corporate advertising; Formulated the complete emergency disposal plan, including porter configuration on the basis of special drivers in arrangement, launch a party member as a volunteer, accompanying with car, in the process of service processes flight time schedule adjust pick-up location is wrong after the emergency incident into the expo, the mass run received the commerce commission and Shanghai municipal people's government of Shanghai foreign affairs office of the thank-you letter, once again to verify the mass run high standard strict management services a first-class concept, enhance the brand image of the public and industry status.

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
Law of the People's Republic of China on The Prevention and Control of Soil Pollution	August 31, 2018 , The National People's Congress	It is suggested that we should establish relevant legal systems and systems, strengthen environmental supervision of industrial and mining enterprises, cut off pollution sources and curb the expansion trend. We will implement graded and classified management of contaminated land, establish a technical system, and gradually promote risk control.
Three-year Action Plan for Winning the Blue Sky Defense War	July 3, 2018 , The state department	It is proposed that after three years of efforts, the total emission of major atmospheric pollutants should be greatly reduced, and greenhouse gas emissions should be reduced in a coordinated way, PM2.5 concentration should be further significantly reduced, days of heavy pollution should be significantly reduced, environmental air quality should be significantly improved, and people's happiness of blue sky should be significantly enhanced.
"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.

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
Air Pollutant Discharge Standards for Urban Wastewater Treatment Plants (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.
“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.
“Strengthen Air Pollution Control Programs Work in Energy Industry”	March 24, 2014, National Development and Reform Commission, National Energy Administration and Ministry of Environmental Protection	This program guides the energy industry to take responsibility for the source treatment and supply for clean energy.

2.2 Analysis of Enterprise Emissions Related Indicators

2.2.1 Analysis of enterprise emissions related indicators

Total emission and density of waste gas

Emissions from fossil fuel combustion by DZUG include NO_x, SO_x and PM. Most of the exhaust emissions come from the combustion of motor vehicle gasoline, diesel and liquefied petroleum gas in the urban transportation and logistics sectors.

The total and density of public emissions in 2018 are shown in the following table:

Type	Total emission (Unit: ton)	Emission density (Unit: ton/billion RMB)
Nox	895.25	18.12
SOx	1.82	0.04
PM	85.78	1.74
Tots	982.85	19.90

Total greenhouse gas emissions and intensity of enterprises

DZUG causes direct and indirect emissions of greenhouse gases due to the consumption of fossil fuels and the use of electricity. In 2018, DZUG emitted about 5.9944 million tons of carbon dioxide equivalent in total, and the emission density is 0.1213 million tons of carbon dioxide equivalent/hundred million RMB. Among them, the direct greenhouse gas emissions caused by the burning of fossil fuels are about 5.1104 million tons of carbon dioxide equivalent, and the indirect greenhouse gas emissions caused by the use of electricity are about 884.00 thousand tons.

The total emissions of the Company calculated by each dimension in 2018 are shown in the following table:

Type	Direct emissions (Unit: ton of co2 equivalent)	Direct emissions density (Unit: tons of carbon dioxide equivalent/hundred million RMB)	Indirect emissions (Unit: ton of carbon dioxide equivalent)	Indirect emissions density (tons of carbon dioxide equivalent/ hundred million RMB)
CO ₂	5,067,950.53	102,554.59	879,656.09	17,800.64
CH ₄	841.42	17.03	200.80	4.06
N ₂ O	41,641.21	842.65	4,176.83	84.52
Total	5,110,433.16	103,414.27	884,033.72	17,889.23

The total amount and density of hazardous and harmless wastes generated by enterprises

In 2018, the Company discharged a total amount of 7,167.00 cubic meters of waste water with a discharge density of 145.03 cubic meters/hundred million RMB, a total amount of 54,839.11 tons of harmless solid waste with a disposal density of 11.04 tons/hundred million RMB, a total amount of 138.00 kg of hazardous solid waste with a disposal density of 2.79 kg/hundred million RMB. Among all types of liquid and solid waste, harmless solid waste recorded the largest decrease compared with the previous year, showing an annual decrease of about 16.3%.

Each types of wastes disposed by the Company in 2018 are shown in the following table:

Waste type	Unit	Emission
Liquid wastes		
waste water	cubic meters	7,167.00
Harmless solid waste		
solid waste	kg	300.00
waste sludge	ton	54,539.11
Harmful solid waste		
Waste oil ink cartridges	kg	3.00
Waste daylight lamp tube	kg	135.00

All liquid and solid wastes listed above shall be properly disposed in accordance with relevant national environmental protection policies and regulations. The sludge generated by Jiangsu Dazhong is sent to farms, building materials factories and power plants designated by the government as raw materials for making fertilizer, bricks and power generation, so as to realize the secondary recycling of sludge.

Measures Taken by Enterprises to Reduce Emissions and the Results

- Urban transportation and logistics transportation sectors further increase the proportion of new energy vehicle use

In 2018, about one-third of the more than 8,000 taxis owned by Dazhong Taxi are new energy vehicles (including LPG gasoline-electric hybrid vehicles and electric vehicles). As of December 31, 2018, the total number of new energy vehicles owned by DZUG has reached 2,633. Among them, hybrid electric vehicles can effectively reduce the average fuel consumption and reduce the exhaust gas and greenhouse gas emissions under the same mileage. In addition, in order to respond to the national energy conservation, emission reduction, green travel policy, and the arrival of the expo, Dazhong Taxi "green melody" family added new members. From September 2018, 100 pure electric vehicles was put into operation. Pure electric vehicles do not directly produce any exhaust gas and greenhouse gases when driving. In addition, electric vehicles hardly make any noise when driving, which effectively reduces exhaust emissions and noise pollution in the city at the same time. The introduction of new energy vehicles is not only conducive to the transformation and upgrading of the traditional taxi industry, but also to the promotion of green environmental protection of urban transportation. In addition, Dazhong Run Logistics also purchased two electric vehicles in the end of 2018 as a pilot to explore the application and effect of new energy vehicles in the freight logistics industry.

Methods of disposal of hazardous and harmless wastes by enterprises, measures and results of reduction of production

- Dazhong Jiading completed the upgrading and reconstruction project

In the year of 2018, the first Level I A+ upgrading project of Dazhong Jiading was completed and was put into operation. The renovation included the sealing and capping of main structures, improvement of deodorization facilities and deep treatment process. The upgrading and reconstruction project not only raised the discharge standard of the treatment plant to Level I A+, which effectively reduced the discharge of water pollutants, but also increased the collection and treatment of gases, and reduced the emission of gas pollutants.



- Jiangsu Dazhong continues to promote the transformation of subsidiaries and equipment replacement work

Jiangsu Dazhong carried out technical renovation for the first and second phase of the Sanbahe Plant in 2018, and made supplementary design for the third phase. At the same time, in order to achieve the water discharge standard, Jiangsu Dazhong built three monitoring rooms for the water inflow and outflow in the Sanbahe Plant, and moved the online monitoring rooms and online automatic monitoring equipment for the water outlet of the first and second phase projects to ensure the accuracy and stability of data. In view of the Peixian Plant, Jiangsu Dazhong implemented the technical improvement project of energy enhancement to further ensure the water quality and effectively reduce the discharge of water pollutants. In addition, Jiangsu Dazhong also increased the technical transformation of equipment of its subsidiaries in 2018. Successively solved the problems of subsidiary companies' intermittent aeration system transformation, biochemical pool ORP process instrument and high-voltage power supply system breakdown, which effectively guaranteed the normal operation of each subsidiary waste water treatment plant.

- Xiangyin Road Tunnel

The Xiangyin Road Tunnel has transformed the sewage of the management building from being connected to the municipal rainwater pipe network to being connected to the municipal sewage pipe network. On the other hand, the Xiangyin Road Tunnel also actively guided the maintenance suppliers to gradually replace the maintenance vehicle for new energy vehicles in the future.

2.3 Analysis of Consumption of Enterprises

2.3.1 The Main Energy Consumption Structure of Enterprises

In 2018, the Company consumed about 120 million liters of gasoline, 3.5439 million liters of diesel and 3.7004 million cubic meters of liquefied gas. Meanwhile, each business consumes a total amount of about 1.124 billion kilowatt-hours of electricity and 7.2193 million tons of water.

The energy consumption of DZUG in 2018 is shown in the following table:

Type	Unit	Consumption
gasoline	Liter	119,973,617.09
diesel	Liter	3,543,946.30
liquefied gas	Cubic meter	3,700,393.93
electric energy	Kilowatt-hour	1,124,204,235.00
water	Ton	7,219,290.45

The energy consumption density of DZUG in 2018 is shown in the following table :

Type	Unit	Density
gasoline	Liter per thousand RMB	24.28
diesel	Liter per thousand RMB	0.72
liquefied gas	Cubic meter per thousand RMB	0.75
electric energy	Kilowatt-hour per thousand RMB	227.49
water	Ton per thousand RMB	1.46

The energy consumption of DZUG in 2018 is equivalent to about 3.95 million tons of standard coal, of which about 75.25% comes from the urban transportation sector, about 24.60% from the waste water treatment sector, and the rest of the energy consumption comes from the logistics and transportation, city gas, infrastructure investment and operation and financial sectors.

2.3.2 Energy Efficiency Measures Implemented by the Enterprises and the Results

- Dazhong Jiading Wastewater Plant Upgrading

In 2018, Dazhong Jiading wastewater conducted the overall adjustment of the blast duct system of the first and second phase projects, changed the mode of oxygen to the unity of the previous to the first, second phase of the separate oxygen respectively, and replaced the original three centrifugal fans to five maglev fans. The upgrading reduces the energy consumption of equipment, reduces the loss in the process of air transportation, and improves the efficiency of oxygen.

- Jiangsu Dazhong Air Blast System and Pollution Control Facilities Upgrading

In 2018, Jiangsu Dazhong upgraded the processing equipment and systems of its subsidiaries to further reduce energy consumption while improving the quality of effluent. In Pizhou Phase II Project, Jawang Phase I project, Peixian Phase I and phase II technical renovation project, as well as the Donghai upgrading and reconstruction project, original Roots fans have all been replaced to air suspension fans, which have the advantages of energy saving, low noise, no pollution, convenient maintenance, long service life and so on.

2.3.3 Plans and Results for Enterprises to Obtain Suitable Water Source Methods, and Improve Water Efficiency

According to the relevant environmental protection policies and regulations of the state, DZUG has obtained the applicable water source, and there is no problem in obtaining the applicable water source.

In 2018, a total of 7.2193 million tons of water has been used by DZUG, and the energy consumption density is 1.46 tons/thousand RMB. The company maintains a relatively stable level of water density and water efficiency while the business scale grows steadily, achieving water saving and efficient use.

2.3.4 The Total Amount of Packaging Materials Used in Finished Products and the Quantity Per Unit of Production

The main businesses of DZUG are urban gas, wastewater treatment, urban transportation, infrastructure investment and operation, logistics and transportation, and financial venture capital, which do not produce finished products or involve packaging materials. Therefore, this item is not applicable to the Group.

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

The Company's wastewater treatment capacity has steadily improved over the past three years, rising to about 140 million tons by 2018, showing an annual growth rate of 5.1%. In addition, after the upgrading and reconstruction project, the effluent standards of all the subordinate wastewater treatment plants of the Group have reached Grade A or Grade A+. The wastewater treatment plants owned by the Company have effectively improved the water quality while expanding the treatment capacity, thus better protecting the surrounding environment of the discharge area.

At the same time, on the basis of steady improvement of wastewater treatment capacity, sludge discharge of sewage treatment plants owned by the Company decreased in 2018 compared with the previous year, with a total decrease of about 16.3%. This is attributed to the sludge drying transformation plan of the wastewater treatment plants owned by the Company, which effectively reduces the water content within sludge, the volume and weight of the sludge, and it provides convenience for subsequent sludge recovery and treatment, and also reduces the energy consumption of subsequent transportation and treatment.



In addition, in response to the Ministry of Environmental Protection's request to improve the air control of the plant, Dazhong Jiading built a new sealed cover for wastewater treatment pools and eight deodorization systems with an investment of about RMB35 million. The upgrading has greatly improved the atmospheric environment of the plant and its surroundings.

3 Analysis of Corporate Social Responsibility

3.1 Analysis of the Employment and Labour Status of the Company

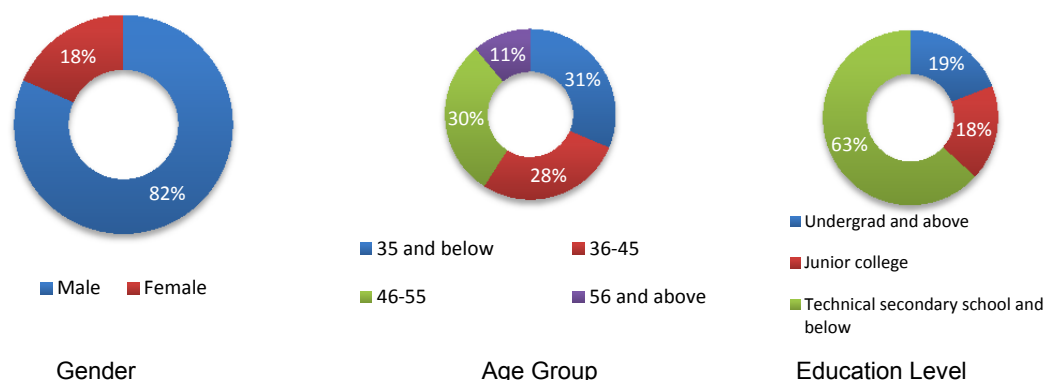
3.1.1 Overview of Employment Status and Labour Standards

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 2018

The proportion of Employees Employed in DZUG by Major Indicators in 2018



As at December 31, 2018, the total number of employees in DZUG and its major subsidiaries was 3,208.¹ 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 Note: 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 3,208 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, 2018, DZUG and its subsidiaries had lost 32 employees in total,¹ which accounted for 1.43% 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 employee incentive activities held by DZUG and its major subsidiaries in 2018:

- City Gas

- **Dazhong Gas:** In 2018, Dazhong Gas organized physical examinations for female employees, holds health lectures, distributes labour protection supplies to employees, and organizes activities for women's day.
- **Nantong Dazhong Gas:** Nantong Dazhong Gas provided subsidies for 90 employees in the whole year, 43 active employees and 78 retired employees in the Spring Festival of 2018, and the "Blue Flame Love Fund" was also provided in the whole year. During the 2018 Spring Festival, the leading group led the team to personally console the retired employees and put the condolence work into practice.

- Wastewater Treatment

- **Dazhong Jiading:** In 2018, Dazhong Jiading wastewater treatment company selected the annual excellent staff and excellent team, recommended candidates of the Group's excellent staff to the Group, and gave the general assembly praise, commendation, travel arrangement and other awards to the staff with outstanding performance. In terms of welfare, Dazhong Jiading provided employees with annual physical examination, special security, labor protection measures and supplies, high temperature allowance and traditional holidays, women's day holidays and condolences.
- **Jiangsu Dazhong:** Jiangsu Dazhong makes different incentive policies for employees of different positions and types of work. Jiangsu dazhong shall reward the testing team for increasing the testing frequency, validity of testing data and accuracy of comparative testing in accordance with the original testing frequency

- Urban Transportation

- **Dazhong Transportation:** Since the summer of 2018, leaders of Dazhong Transportation visited employees who worked at the front line with supplies to let them feel the comfort in the sweltering heat. During the visit, Secretary Yuan had a cordial talk with the drivers and thanked them for sticking to their posts in the hot weather and working hard for the development of the enterprise and promoting the name card of Shanghai. In addition, Secretary Yuan also urged everyone to deal with high temperature weather, to reasonable arrangement of work and rest time, do work and rest, and urged further implementation of the high temperature season safety driving work.



¹ Under the equity law, subsidiaries of the Groups such as Dazhong Transportation that do not have the right of control are not incorporated into the parent company's ending financial statements. As a result, the 32 lost employees do not include the number of lost employees in subsidiaries such as Dazhong Transportation are not included in the parent company's financial statements.

— Infrastructure Investment and Operation:

- **Xiangyin Road Tunnel:** In 2018, Xiangyin Road Tunnel provided a number of different kinds of benefits to employees, including organizing employees' recuperation and vacation, organizing employees to participate in physical examination, and issuing summer labor protection supplies, winter labor protection supplies, special labor protection supplies, general labor protection supplies and other benefits.
- **Logistics Transportation**
 - **Dazhong Run Logistics:** In order to promote advanced and typical operation, further improve service quality and enhance Dazhong Run Logistics's branding, Dazhong Run Logistics has been outstanding in terms of dedication to work, quality service, standardized scheduling, enthusiastic moving, safe driving, safe learning, vehicle maintenance, vehicle appearance, rental payment and compliance with rules and regulations.

3.1.2 Overview of Employees' Health and Safety Assurance

In order to ensure safe production, the Company 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 2018

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 in 2018:

- City Gas

- **Nantong Dazhong Gas:** The safety production of Nantong Dazhong Gas remained "Four Nots" in 2018. There was no complaints or any safety accidents in the production and operation services. Nantong Dazhong Gas 's environmental protection and comprehensive management met the assessment requirements of the competent government departments. In addition, Nantong Dazhong Gas has excellent gas safety production technology, and the company's participating team won the third prize in the second "Zhongran Cup" Jiangsu province gas industry safety production knowledge competition, which reflects the strong safety management awareness and safety production level of Nantong Dazhong Gas.



- Wastewater Treatment

- **Jiangsu Dazhong:** In June 2018, Jiangsu Dazhong organized many emergency rescue plan drills, such as emergency rescue plan drills in case of excessive water inflow and outflow, power failure caused by lightning and rainstorm, rainy season flood control and emergency power failure. The regular holding of such emergency plan drills effectively improves the crisis handling capacity of employees and reduces the possibility of personal and property damage in emergencies

- Urban Transportation

- **Dazhong Taxi:** Dazhong Taxi has always attached importance to educating drivers about safe driving. In 2018, Dazhong Taxi, through Dazhong Driver public service system in WeChat, published all kinds of safety guidelines to drivers. The content including safe driving in rainy and snowy days, drive with courtesy at night, safety driving in summer and safe driving specification during the period of China International Import Expo. The safety training had effectively improved the drivers' integrated safety consciousness.

- Infrastructure Investment and Operation

- **Xiangyin Road Tunnel:** In 2018, Xiangyin Road Tunnel organized 42 safety inspections, with an average of 3 to 4 safety inspections per month. Among the major types of safety hazards investigated, the fire foam pipe was inspected once a month before overhaul, and the overhaul was carried out in the second half of the year. The dual wavelength detector was also inspected once a month before the overhaul, and the overhaul was carried out in the second half of the year.





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 organized or financed various kinds of "on-the-job training" or "external training" for the employees in accordance with relevant requirements.

- City Gas

- **Dazhong Gas:** In the year of 2018, Dazhong Gas continuously carried out various on-job training, on-job training and safety training activities throughout the year, and arranged several months of mentoring training for new employees. A total of 71 person-times participated in various training activities throughout the year, and achieved good training results.



- **Nantong Dazhong Gas:** In 2018, Nantong Dazhong Gas organized more training classes of different themes. All kinds of training activities have effectively improved the technical strength and production safety awareness of employees in Nantong Dazhong Gas.



- Wastewater Treatment

- **Dazhong Jiading:** In the year of 2018, Dazhong Jiading completed the upgrading and renovation of the laboratory, installation of the central air conditioning system in the blower room, and update of various other types of equipment. To make employees familiar with the use of new equipment as soon as possible, to ensure safety in production, Dazhong Jiading organized five organization staff training in 2018, including ten employees participated in maglev blower operation maintenance training, six employees involved in stoker training and assessment, four employees to participate in the new standard laboratory determination of rehearsal, eight employees to participate in the assessment of sludge drying operation. In addition, the company also arranged multiple rounds of technical training and assessment, as well as professional training and examination of special types of work, to meet the needs of Dazhong Jiading's technical development.

- **Jiangsu Dazhong:** In 2018, the Jiading wastewater treatment 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 2018.



- **Urban Transportation**

- **Dazhong Taxi :** In 2018, 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 13,052 people attending the on-site training per month, and 10,890 people participating in the WeChat-based training sessions.

- **Logistics Transportation 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 organized four training sessions and six emergency drills in 2018. A total of 102 people participated in the training in 2018, including the initiation and report of the pre-plan, the training on the disposal of flood and typhoon control, the training on the disposal of ice and snow, and the training on rescue positions. The topics of the emergency plan drill include the tunnel main power loss emergency plan drill, flood and typhoon control emergency plan drill, anchored car and rollover accident emergency plan drill, etc. A total of 119 people participated in the emergency plan drill.

- **Dazhong Run Logistics :** In 2018, Dazhong Run Logistics had a total of five organized training, training content including rain and snow day safe driving and transportation safety, accident of timely treatment, the city's dangerous road cargo transport operations, safety, etc., and these training helped employees to improve the consciousness of safe driving and safe shipping, and gained a good training effect.



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 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 2018. 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 58 suppliers met the procurement standards in 2018.

---- 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 and its subsidiaries participated in a number of social activities such as poverty alleviation in Wenshan, Yunnan Province, donation to Red Cross society of Shanghai, 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.

- The Group

A series of volunteer activities for helping alleviating poverty in Wenshan, Yunnan Province were jointly held by the Group and other institutions such as Shanghai Youth Volunteer Association and social welfare centre. In 2018, the Group donated 35000 copies of the book Digital Citizens and 35,000 Network Course ID cards to 119 schools in Wenshan, Yunnan Province. By using the campus network, the Group carried out the online public welfare project, set up online information service system for poverty alleviation, popularized knowledge about e-commerce, driven the benefit of characteristic industry of impoverished areas, and helped improving the cultural quality education and employability of people in poor areas with online education. The Group has effectively opened up channels for children to grow up through online learning and young adults to change their fate through starting a business on the Internet, and significantly enhanced the endogenous power in poor areas, and laid a solid foundation for poverty alleviation and sustainable development.



City Gas

- Dazhong Gas:** To improve the common sense of users' safe use of gas and reduce the possibility of social gas accidents, Dazhong Gas organized several community gas safety publicity activities in 2018. In May 2018, the party branch of Minhang office and Xuhui office participated in the disaster prevention publicity activity organized by Shanghai gas industry organization. In September 2018, volunteers from Changning office took part in the public welfare partner day activity organized by Huayang street. Through safety publicity materials, volunteers actively popularized common sense of safe gas to residents. In December 2018, Xujing office, together with the business department, came to Haitian Garden, No.1481, Qingping road, Shanghai for gas safety promotion activities. The new Huangpu office, together with the security service department and the business department, has carried out gas safety activities in the community in Lane 133 Shangwen Road.



- **Nantong Dazhong Gas:** In the year of 2018, Nantong Dazhong Gas participated in a number of community activities, set up 12 service points for public welfare activities, such as xutian park, yuxiu homeland, yonghejiayuan, hongqiao park, wanda plaza and dongcheng garden, and actively participated in community support activities, thus establishing a good corporate image among the citizens of nantong.



- **Wastewater Treatment**

- **Jiangsu Dazhong:** In 2018, Jiangsu Dazhong organized six community public welfare activities. In May 2018, Jiangsu Dazhong cooperated with party members, cadres and villagers' representatives of Huhe village to help the whole village formulate overall goals and development plans, and carried out party lectures, on-site observation, discussion and exchange activities. At the same time, Jiangsu Dazhong funded to help Huhe village to repair the village department. In October 2018, Jiangsu Dazhong will present a batch of agricultural and rural popular science books to huhe village to establish and improve village-level cultural publicity rooms and promote the development of rural cultural undertakings. In November 2018, Jiangsu Dazhong will assist the leading group of Huhe village to carry out such mass activities as "civilized and harmonious village" and "civilized and harmonious family", and guide the majority of villagers to develop the moral fashion of stressing civilization and promoting harmony. In December 2018, Jiangsu Dazhong organized employees to carry out the activity of "sending warmth and showing love" to the elderly, the sick, the disabled, the orphans and other special groups in huhe village, and arranged special funds to help them solve prominent difficulties and problems in production and life.



- **Urban Transportation**

- **Dazhong Taxi:** In the year of 2018, Dazhong Taxi regularly organized its employees to carry out volunteer and service activities, and built a good relationship with the community, and established an excellent corporate social image. In May 2018, the leaders and excellent employees of Pudong branch of Dazhong Taxi will take part in the theme activity held by sunshine grand stage home to visit and care for the disabled. On the double Ninth Festival in 2018, the members of volunteer team of Dazhong Taxi went to visit the elderly in the nursing house with gifts.

- **logistics transportation**

- **Dazhong Run Logistics:** In 2018, Dazhong Run Logistics actively participated in social activities and organized employees to participate in community sports events. At the same time, Dazhong Run Logistics also organized employees to participate in charity sale and donation activities. Dazhong Run Logistics donated a total of 100,000 yuan to the Shanghai charity foundation for the development of charity.



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, 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.

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

CSRC		China Securities Regulatory Commission
SSE		Shanghai Stock Exchange
HKEX		The Stock Exchange of Hong Kong Limited
DZUG, DZUG Group, the Company, the Group, the Enterprise, we		Shanghai Dazhong Public Utilities (Group) Co., Ltd.
Reporting Period/ The Annual 2018		Accounting Period from January 1, 2018 to December
Board		The Board of Directors of the Company
Supervisory Committee		The Supervisory Committee of the Company
AGM		The Annual General Meeting of the Company
Articles of Association		The Article of Association of the Company
Dazhong Gas		Shanghai Dazhong Gas Co., Ltd.
Nantong Gas		Nantong Dazhong Gas Co., Ltd.
Dazhong Transportation	:	Dazhong Transportation (Group) Co., Ltd.
Dazhong Taxi		Dazhong Taxi & Car Leasing Company
Jiangsu Dazhong	:	Jiangsu Dazhong Water Group Co., Ltd.
Dazhong Jiading		Shanghai Dazhong Jiading Sewage Co., Ltd.
Xiangyin Road Tunnel		Shanghai Xiangyin Road Tunnel Construction and Development Co. LTD
Dazhong Run Logistics		Shanghai Dazhong Run Logistics Shares Co., Ltd.
Shenzhen Capital Group		Shenzhen Capital Group Co., Ltd.
BOT	:	The Build-Operate-Transfer model
BT	:	The Build-Transfer model
OA		Office Automation
PPP		The Public-Private Partnership

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