上海大眾公用事業(集團)股份有限公司

Shanghai Dazhong Public Utilities (Group) Co., Ltd.*

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

(Stock Code: 1635)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board of Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2018. This announcement, containing the full text of the 2018 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of the interim results. Printed version of the Company's 2018 Interim Report will be sent to shareholders of H Shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at www.dzug.cn on or before 28 September 2018.

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

Shanghai, the People's Republic of China
30 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. YANG Guoping, Mr. LIANG Jiawei, Ms. YU Min, Mr. ZHUANG Jianhao and Mr. YANG Weibiao; the non-executive directors of the Company are Mr. CHAN Wing Kin, Mr. LI Songhua and Mr. CHEUNG Yip Sang; and the independent non-executive directors of the Company are Mr. WANG Kaiguo, Mr. YAO Cho Fai Andrew, Mr. CHOW Siu Lui, Mr. WANG Hongxiang and Mr. LIU Zhengdong.

* *For identification purposes only*

大众公用

DaZhong Public Utilities

股 份 代 號 ： 1635

Stock Code: 1635

2018年中期報告

2018 INTERIM REPORT

上海大眾公用事業（集團）股份有限公司

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

IMPORTANT NOTICE

I. **The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company confirm that the contents in this interim report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.**

II. **Attendance of the meeting of the board of directors.**

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Non-executive director	Cheung Yip Sang	For other business duties	Yang Weibiao

III. **This interim report is unaudited.**

IV. **Yang Guoping (楊國平), the person-in-charge and the Chairman of the board of directors the Company, Zhao Ruijun (趙瑞鈞), the person-in-charge of accounting and, Hu Jun (胡軍), the head of the accounting institution (person-in charge of accounting), warrant the truthfulness, accuracy and completeness of the this interim financial report.**

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

No.

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

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors should be aware of the investment risks.

VII. Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose?

No.

VIII. Any provision of external guarantee in violation of the stipulated decision making procedure?

No.

IX. Material risk alert

The report contains the description of the possible risks related to the Company. Please refer to "Report of the Board of Directors — Discussion and Analysis of Operation — Potential Risks".

Unless otherwise illustrated in this report, the currency for amounts herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

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

CONTENTS

DEFINITIONS

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

"2017 AGM"	the annual general meeting of the Company convened on May 17, 2018
"Articles of Association"	the articles of association of the Company, as amended from time to time
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"Board"	the board of directors of the Company
"BOT"	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, construction, operation and maintenance of municipal facilities in a concession period, during which the enterprise can charge service fees to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government
"BT"	Build and Transfer, a project model whereby an enterprise undertakes the financing and construction of a facility for the proprietor for certain fees to be paid during and upon the completion of the construction
"CG Code"	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China. References in this interim report to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 1, 1992
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dazhong Commerce"	Shanghai Dazhong Transportation Commerce Co., Ltd.* (上海大眾交通商務有限公司), a limited liability company incorporated in the PRC on June 25, 2008

**Notes: For identification purpose only*

DEFINITIONS

"Dazhong Financial Leasing"	Shanghai Dazhong Financial Leasing Co., Ltd.* (上海大眾融資租賃有限公司)
"Dazhong Gas"	Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司) (formerly known as South Shanghai Gas Co., Ltd.* (上海燃氣市南銷售有限公司)
"Dazhong Hong Kong"	Dazhong (Hong Kong) International Corporation Limited (大眾(香港)國際有限公司)
"Dazhong Jiading Sewage"	Shanghai Dazhong Jiading Sewage Co., Ltd.* (上海大眾嘉定污水處理有限公司)
"Dazhong Transportation"	Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 6, 1994, whose A shares (Stock Code: 600611.SH) and B shares (Stock Code: 900903.SH) have been listed on the Shanghai Stock Exchange since August 7, 1992
"Director(s)"	the director(s) of the Company
"Fund"	Shanghai Huacan Equity Investment Fund Partnership (上海華璨股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC in November 2016 in accordance with the PRC Partnership Law (《中華人民共和國合夥企業法》)
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	overseas listed foreign share(s) in the Company's registered share capital, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Jiangsu Dazhong Water"	Jiangsu Dazhong Water Group Co., Ltd.*（江蘇大眾水務集團有限公司）
"Jiangyin Tianli"	Jiangyin Tianli Gas Co., Ltd.*（江陰天力燃氣有限公司）
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"Nantong Dazhong Gas"	Nantong Dazhong Gas Co., Ltd.*（南通大眾燃氣有限公司）

**Notes: For identification purpose only*

DEFINITIONS

"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"PPP"	public-private-partnership (政府和社會資本合作模式)
"Reporting Period"	the six months ended June 30, 2018
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
"Shanghai Dazhong Business Management"	Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司), a limited liability company incorporated in the PRC on March 10, 1995 and the substantial shareholder of the Company
"Shanghai Gas Group"	Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)
"Shanghai Huiran"	Shanghai Huiran Investment Co., Ltd.*（上海慧冉投資有限公司）
"Shanghai Ruyu"	Shanghai Ruyu Energy Investment Co., Ltd.*（上海儒馭能源投資公司）
"Shenzhen Capital"	Shenzhen Capital Group Co., Ltd.*（深圳市創新投資集團有限公司）
"Suchuang Gas"	Suchuang Gas Corporation Limited* (蘇創燃氣股份有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1430)
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

Notes: For identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yang Guoping (楊國平) *(Chairman)*
Mr. Liang Jiawei (梁嘉瑋) *(Chief Executive Officer)*
Ms. Yu Min (俞敏)
Mr. Zhuang Jianhao (莊建浩)
Mr. Yang Weibiao (楊衛標)

Non-executive Directors

Mr. Chan Wing Kin (陳永堅)
Mr. Li Songhua (李松華)
Mr. Cheung Yip Sang (張葉生)

Independent Non-executive Directors

Mr. Wang Kaiguo (王開國)
Mr. Yao Cho Fai Andrew (姚祖輝)
Mr. Chow Siu Lui (鄒小磊)
Mr. Wang Hongxiang (王鴻祥)
Mr. Liu Zhengdong (劉正東)

SUPERVISORS

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

JOINT COMPANY SECRETARIES

Ms. Zhao Fei (趙飛)
Ms. Chen Chun(陳淳)

AUTHORIZED REPRESENTATIVES

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Yao Cho Fai Andrew (姚祖輝) *(Chairman)*
Mr. Yang Guoping (楊國平)
Mr. Liu Zhengdong (劉正東)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wang Kaiguo (王開國) *(Chairman)*
Mr. Yang Guoping (楊國平)
Mr. Yao Cho Fai Andrew (姚祖輝)

REGISTERED OFFICE

518 Shangcheng Road
Pudong New Area
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK NAME

Shanghai Dazhong Public Utilities (Group) Co., Ltd.

STOCK ABBREVIATION

DZUG

SHARE LISTING

A Share: Shanghai Stock Exchange
Stock Code: 600635
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 1635

A SHARE REGISTRAR AND TRANSFER OFFICE IN THE PRC

China Securities Depository & Clearing
Corporation Limited (CSDCC) Shanghai Branch
China Insurance Building
166 East Lujiazui Road
Pudong District
Shanghai, China

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.dzug.cn

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: RMB'000

Key accounting data	During the Reporting Period (January to June)	Corresponding period last year	Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)
Operating revenue	2,689,753	2,480,420	8.44
Net profit attributable to shareholders of listed company	126,065	202,735	-37.82
Net profit attributable to shareholders of listed company, net of non-recurring profit or loss	117,765	197,607	-40.40
Net cash flows from operating activities	64,526	445,482	-85.82

	At the end of the Reporting Period	At the end of last year	Increase/ decrease at the end of the Reporting Period as compared with the end of last year (%)
Net assets attributable to shareholders of listed company	7,009,935	7,184,577	-2.43
Total assets	19,784,276	20,400,001	-3.02

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(II) Key Financial Indicators

Key financial indicators	During the Reporting Period (January to June)	Corresponding period last year	Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB per share)	0.04	0.07	-42.86
Diluted earnings per share (RMB per share)	0.04	0.07	-42.86
Basic earnings per share (RMB per share), net of non-recurring profit or loss	0.04	0.07	-42.86
Weighted average return on net assets (%)	1.76	2.82	decreased by 1.06 percentage points
Weighted average return on net assets (%), net of non-recurring profit or loss	1.65	2.75	decreased by 1.10 percentage points

Factors affecting the Group's business and profit during the reporting period:

Net profit recorded decrease during the Reporting Period was mainly because revenue from venture capital platforms in which we withdrawn investment during the Period decreased when compared with the corresponding period of last year, resulting in the decrease in the Company's investment gains for the current period as compared with the corresponding period of last year; The primary reason for the decrease in the net cash flows from operating activities was the increase in the payment for gas purchases settled by the Company's gas-fired enterprises in the first half of 2018 as compared with the corresponding period of last year.

II. DISCREPANCIES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Discrepancies in net profit and net assets attributable to shareholders of the listed company in the financial report disclosed under the International Accounting Standards and under the China Accounting Standards

Unit: RMB'000

	Net profit		Net assets attributable to shareholders of the listed company	
	Amount for the current period	Amount for the previous period	Amount at the end of the period	Amount at the beginning of the period
Prepared in accordance with the China Accounting Standards	126,065	202,735	7,066,101	7,240,743
Item and amount of adjustment in accordance with the International Accounting Standards:				
Outstanding shares under share reform	–	–	(56,166)	(56,166)
Prepared in accordance with the International Accounting Standards	126,065	202,735	7,009,935	7,184,577

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB'000

Non-recurring profit or loss items	Amount	Note (if applicable)
Gain or loss on disposal of non-current assets	1,131	N/A
Tax refunds, reductions or exemption without authorised approval or without official approval documents or on an occasional basis	–	N/A
Government grants recognized in profit or loss of the current period, excluding those closely related to the normal operation of the Company and granted on an ongoing basis in fixed amount or fixed quota in accordance with government policies and regulations	2	N/A
Finance charges from non-financial enterprises recognized in profit or loss of the current period	–	N/A
Gains from the difference between investment costs for acquisition of subsidiaries, associates and joint ventures and the shares of the fair value of identifiable net assets acquired	–	N/A
Profit or loss from exchange of non-monetary assets	–	N/A
Gain or loss from entrusted investments or asset management	–	N/A
Provision for impairment of assets due to force majeure such as natural disasters	–	N/A
Profit or loss from debt restructuring	–	N/A
Corporate restructuring costs, such as employee layoff expenses and integration costs	–	N/A
Profit or loss representing the difference between the unfair transaction consideration and the fair value of the transaction	–	N/A
Net profit or loss of fellow subsidiaries from the beginning of the current period to the date of acquisition	–	N/A
Profit or loss from contingencies unrelated to the Company's ordinary operations	–	N/A

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB'000

Non-recurring profit or loss items	**Amount**	**Note (if applicable)**
Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gain from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business in the ordinary operations of the Company	10,578	N/A
Reversal of the provisions for impairment of receivables subject to individually impairment test	–	N/A
Profit or loss from external entrusted loans	–	N/A
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement	–	N/A
Adjustment to profit or loss for the current period in accordance with laws and regulations on taxation and accounting	–	N/A
Fees income from custodian business	–	N/A
Non-operating income and expense other than the above items	1,785	N/A
Other profit and loss items falling within the meaning of non-recurring profit and loss	–	N/A
Effects of minority interests	(2,664)	N/A
Effects of income tax	(2,532)	N/A
Total	8,300	N/A

REPORT OF THE BOARD OF DIRECTORS

I. THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY REVIEW DURING THE REPORTING PERIOD

(I) The Company's Principal Business, Business Model and Major Performance Drivers: The Company is principally engaged in public utility and financial investment businesses, which are the two major sources of profit of the Company. In particular, public utility business includes (1) city gas, (2) wastewater treatment, (3) urban transportation, and (4) infrastructure investment and operation, and financial venture capital business includes (1) financial services and (2) venture capital business. During the Reporting Period, there was no material change in the Company's principal business.

1. Public Utility Business

(1) City gas

The scope of the Company's gas business includes gas sales and pipeline construction and our business model is to procure gas from the upstream suppliers, sells the gas to end users through our proprietary pipeline network, and also provides relevant distribution services. Our business area mainly focuses on southwestern cities in Shanghai and Nantong in Jiangsu Province. The Company is the sole supplier of piped natural gas in the South Puxi Area of Shanghai and Nantong, Jiangsu Province and has underground pipelines exceeding 6,500 km and 2,200 km, respectively. In 2016, the Company made equity investment in Suchuang Gas and expanded to the gas supply business in Taicang, Jiangsu Province. In the first half of 2018, the Company further acquired 37.2255% share equity of Jiangyin Tianli to increase its investment in gas industry, which brought positive impacts on enhancing the overall profitability of the gas business.

Major performance drivers: City gas business is affected by the adjustment to gas price, the number of users and amount of natural gas consumed. Urbanization and clean energy strategy will further facilitate the replacement of coal with natural gas, thereby further increasing the natural gas usage, which brings more business opportunities to the industrial chain of 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 cities. The wastewater treatment companies conduct 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 standard. Currently, the Company operates a number of wastewater treatment plants in Shanghai, Jiangsu Xuzhou and Lianyungang with total designed capacity of 407 thousand tons per day. Our wastewater treatment adopts matured wastewater treatment process in China, which can satisfy the existing requirements and standards of treated water discharge. In addition, the Company has invested in a wastewater treatment company in Xiaoshan District, Hangzhou, Zhejiang Province under a BT arrangement. The amount of repurchase will be paid by the local government during the repurchase period.

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

(3) Urban transportation

The transportation service business of the Company mainly focused on the comprehensive transportation, which is operated by Dazhong Transportation, a subsidiary of the Company. It mainly primarily engages in the development of taxi operation, car rental and other market segments, and provides comprehensive transportation and ancillary services such as taxi, car rental, service, logistics and tourism. Dazhong Transportation has over ten thousands vehicles, including taxi, rental car, logistics vehicles 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 subcontraction in Shanghai and mainly under rental and callings of cars outside Shanghai. At the same time, in response to the effects of internet model on traditional taxi industry, leveraging on the advantage of Dazhong brand, Dazhong Transportation launched the "Dazhong Chuxing" (大眾出行) platform to provide regular online car hailing services. The car rental business of Dazhong Transportation mainly includes long term and short term rent. Under the operation model, the Company will purchase vehicles and licenses and provide external car rental service in an integrated way.

Major performance drivers: The Company put great efforts in the development of corporate car rental segment in urban transportation business, actively explored the "+ Internet" model in traditional taxi industry, and became the first taxi company in China which obtained the legal and compliant qualification for operation of online car hailing platform, so as to improve its ability in provision of comprehensive urban transportation services.

(4) Infrastructure investment and operation

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

Major performance drivers: The Company further increases its revenue through continuous improvement of project management standard to seek new infrastructure investment projects.

2. *Financial Venture Capital Business*

(1) Financial services

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 and etc. Financial leasing is an important complement of traditional banking facilities and equity financing as well as an effective link between SMEs in real economy and financial industry; the Company's pre-paid cards business of "Dazhong e-Card (大眾e通卡)" covers consumption scenarios of basic necessities of life and online shopping, which provides convenience to the daily payment.

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

(2) Venture capital business

The venture capital business of the Company is mainly classified as investments in venture capital enterprises and direct investments. There are three major venture capital platforms invested by the Company, which are Shenzhen Capital, Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership) 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 the ability of its internal investment team, making adjustments to its pace of investment, making judicious decision and implementing risk control to improve the profitability of direct investment business.

REPORT OF THE BOARD OF DIRECTORS

(II) Industry Review

1. Gas Industry

During the first half of 2018, the development environment for the natural gas industry has picked up, demonstrated by its fast increase of the supply and consumption. Meanwhile, natural gas in the PRC was generally in slightly short supply, leading to a continuously increasing external dependency and the contradiction between seasonal supply and demand. Gas supply companies endeavoured to safeguard residents' gas consumption for domestic and heating purposes by raising the production of gas field, purchasing liquefied natural gas (LNG) spot goods and reducing the consumptions of non-resident users. However, the market still encountered substantial gap of supply and demand.

The 2018 Guiding Opinions on Energy Development (《2018能源工作指導意見》) sets out the guiding opinions on the gas production and supply, pipeline transportation, gas storage and peak-shaving and other issues. Meanwhile, it also proposes to implement pioneer reform on the gas and oil system by carrying comprehensive and special trials of reform on the gas and oil system in Sichuan, Chongqing, Xinjiang, Guizhou, Jiangsu, Shanghai, Heibei and other areas, and to promote the construction of supply, storage and distribution system of natural gas. The abovementioned is beneficial to the natural gas supply and its operation efficiency and the development objectives setting out in the 13th Five Year Plan – Natural Gas Development (《天然氣發展"十三五"規劃》). The Implementation Regulation on the Environmental Protection Tax Law (《環境保護稅法實施條例》) and the Environmental Protection Law (《環境保護稅法》) effective from January 1, 2018, aimed to further promote corporate initiatives to enhance their environmental protection levels by charging taxes in accordance with the quantity of pollutants discharged.

Relevant national ministries and commissions have promulgated policies to encourage natural gas operators to carry out trading transactions on the Shanghai Petroleum and Natural Gas Exchange such that the rules that prices were allowed to be determined by market forces would be developed. In 2017, gas volumes traded on the Shanghai Petroleum and Natural Gas Exchange rose to over 25 billion cubic metres, representing approximately 11% of the natural gas consumption on a nationwide basis.

On May 25, 2018, the NDRC announced the "Circular on Straightening the Gas Station Price of Natural Gas Used for Residential Purpose (《關於理順居民用氣門站價格的通知》)", which requires that the administration of the price shall be changed from the administration at the highest station price to the administration at the benchmark station price, with the price determined with reference to the benchmark station price of gas used by non-residential consumers, and the supplier and purchaser can determine the specific station price through negotiation based on the benchmark station price within the range of upward adjustment of 20% and unlimited downward adjustment to be in line with the mechanism for the price of the gas used by non-residential consumers. Meanwhile, the seasonal price difference policy has been implemented to form a seasonal price difference system that sensitively reflects changes in supply and demand. The reform in the natural gas price is conducive to the marketisation of natural gas price across the entire industrial chain of natural gas, forming a more reasonable pricing mechanism and promoting the increase in natural gas consumption in the long run. In municipalities such as Shanghai and Chongqing, measures had already been announced, linking adjustments between non-residential upstream and downstream gas prices in line with the new trends in the market-oriented pricing of natural gas in the future. The government has "controlled the centre and deregulated both ends (管住中間放開頭)" through a series of measures, further developing the reforms in the marketisation of natural gas in China, and the mechanisms for the market-oriented pricing are becoming increasingly more mature.

2. *Wastewater Treatment*

The main task of wastewater treatment industry is to mitigate the water pollution, improve water quality and water use efficiency in China. Issues such as shortage of water resources and water pollution have contributed a huge market for the wastewater treatment industry. In recent years, China continuously introduced policies to strengthen environmental protection efforts. As a typical industry orientated by policies and driven by laws and regulations, the wastewater treatment industry shows a good development trend under the support of government policies. The overall direction of the industry is to speed up marketization and promote water prices reform in order to increase water conservation and enhance water resources protection. From the perspective of competition pattern, the industry has a feature of regional monopoly, but its low concentration indicates a regional monopoly based on city and county in a national scale.

REPORT OF THE BOARD OF DIRECTORS

The 13th Five-Year Plan induces a huge room for water treatment, and the urban and rural wastewater treatment markets will focus on different development directions. At present, the ratio of national urban wastewater treatment is almost saturated, which is very close to the target of 13th Five-Year Plan of 95%. The key focus on urban wastewater treatment has changed from “quantity” to “quality”. The estimated total investment of urban wastewater treatment during 13th Five-Year period was RMB564.4 billion, among which, the investment of construction and renovation of sewer system was totally RMB312.9 billion, accounted for 55.44%, and investment of the upgrading and reconstruction of wastewater treatment facilities reached to RMB43.2 billion. It is found that key focus on urban wastewater treatment of the government is to phase out backward production capacities and increase the quality and effect of wastewater treatment. Therefore, urban upgrading and reconstruction will be a new momentum in the urban wastewater treatment market.

In July 2018, the State Council printed and distributed the Three-Year Action Plan for Winning the Blue Sky Defense Battle (《打贏藍天保衛戰三年行動計劃》) to set emission reduction targets for sulfur dioxide and nitrogen oxides. Environmental regulation will continue to be stringent. Meanwhile, the State Council has deployed a large-scale supervision programme for 2018, covering watershed management, urban black and stinky river control, remediation of soil pollution, prevention and control of solid waste pollution and classification of garbage. Strong regulation will further release market demand. In addition, the price mechanism of sewage treatment and waste disposal is hopefully to be straightened out, and the promotion of price marketization will directly increase the profits of environmental protection enterprises.

Following the proposal to fully realize the “ten measures for atmosphere (大氣十條)” targets in 2017, the Blue Water Defense Battle was put on the agenda in 2018. Furthermore, the eighth National Conference on Ecological and Environmental Protection in May 2018 stressed the need to intensify efforts to solve the ecological environment problems, and resolutely fight for the tough pollution prevention and control battle. Accordingly, the environmental protection industry will benefit greatly. With the size of sewage treatment market exceeding RMB1 trillion, the industry will enter a high-speed expansion period.

3. *Urban Transportation Industry*

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

At the 2018 National Transportation Work Conference, 12 major tasks was proposed, which includes but not limited to deepening the supply-side structural reform, accelerating the building of a modern comprehensive transportation system, speeding up the development of innovative transportation industry and accelerating the development of green transportation. According to the Reply from the State Council in respect of the Development of Shanghai under Master Plan for Shanghai City (《國務院關於上海市城市總體規劃的批復》), the Shanghai shall give priority to public transportation in its transportation development strategy, encourage green commuting, consolidate the construction of urban traffic network and railway traffic network and further improve the urban integrated transportation system that takes public transportation as mainstream and provides multiple choice for transportation. Innovation-oriented transportation and green transportation is the directions for future development.

Regarding rental vehicle, as some foreign-owned enterprises went through merger and acquisition or ceased their operations in China to adapt to the domestic or abroad market changes, corporate client business suffered shrink-off and disordered price-competition was prevailing in rental car industry. According to the Guiding Opinions on Promoting the Healthy Development of Mini-bus Rental Industry (《關於促進小微型客車租賃健康發展的指導意見》), the future automobile rental industry shall focus on impact of developing time-share-basis rental services and new-energy vehicles.

4. *Infrastructure Investment, Construction and Operation industry*

The economic development of the PRC has entered the new norm and the growth pace of infrastructure investment has slowed down accordingly. As the concentration of industry is relatively lower, along with the enhancement of the standards of urbanized construction and the increase in the level of market openness, market competitions will be further intensified. Promoting the PPP model becomes an important pattern to make steady progress and focus on structural reform, drive stable growth, promote reforms, adjust economic structure, improve people's livelihood and avoid risks. In recent years, the PRC has implemented relevant policies to regulate the operation and market development of PPP projects and curb the increase in hidden debt risk. Under strong regulatory background, PPP projects in progress will slow down and the growth pace of the overall scale will decelerate, which will be beneficial for the PPP market to develop healthily and sustainably. It is expected that the proportion of traditional municipal works in Yangtze River Delta area in the future will gradually decrease while the proportion of integrated urbanization development, cultivation of feature towns, hydraulic works, establishment of intelligent cities and environmental protection industry will increase. PPP will remain as the main pattern of infrastructure investments and construction using social capital in the coming years.

5. *Financial Venture Capital Investment*

The financial leasing industry in which the Company operates, is a sector of high leverage and light asset and takes net interest margin as the primary profit source. In May 2018, the Ministry of Commerce of the PRC granted the authority and responsibility for regulating financial leasing firms to China Banking and Insurance Regulatory Commission. Such unified administration can help to avoid regulatory arbitrage and strengthen the order of financial leasing market, contributing to the healthy development of the industry. However, during the transition process, those financial leasing companies that had non-compliance in their previous operation may be adversely impacted. After the completion of the transfer of the regulatory authority, new policies in respect of financial leasing industry are expected to be issued by China Banking and Insurance Regulatory Commission in the future, which may have certain impacts on the industry.

REPORT OF THE BOARD OF DIRECTORS

In recent years, third party mobile payment industry experienced rapid growth, with annual trading volume in China increased from RMB1.3 trillion in 2013 to RMB109 trillion in 2017 and growth rate of the transaction scale in 2017 amounted to 208%. Propelled by huge market demand and rapid industry development, mobile payment is gradually becoming one of the basic elements of offline commercial activities. Though the profit of third party payment gaining from payment function is shrinking, as payment is the last procedure of any commercial activity, controlling information flow on payment is indispensable for information, capital and material stream controlling, which however represents the basis for data mining and data application and further for deriving relevant value-added services. As traffic and data input process, payment service in futures may develop into marketing service under support from big data analysis, and by that time operating strategy and business pattern in payment market would be more diversified. Providers in payment industry shall accelerated their pace of transformation to adapt to the new business forms and model derived in the coming mobile payment era.

In the first half of 2018, the venture capital industry was faced with a number of challenges, such as domestic financial deleveraging, the extension of exiting cycle of the venture investment projects caused by new regulations of shareholding reduction and the financing difficulties caused by new regulations of capital management, resulting in a less robust overall investment trend. However, Shenzhen Capital, in which the Company has made equity investments, still achieved good results in the first half of 2018 with five projects successfully entering into the capital market, breakthrough being made in total management fund of over RMB270 billion and 66 projects having been completed, which make it be in a leading position in the industry.

REPORT OF THE BOARD OF DIRECTORS

II. SIGNIFICANT CHANGES OF THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

Not applicable.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(1) "Dazhong" brand advantage

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

(2) Geographical advantage

Shanghai had a gross domestic product of approximately RMB3,013.3 billion in 2017, representing an increase of 9.71% as compared with last year, which ranked first among all cities in China. As a major public utility service provider in Shanghai with a long-established and prominent brand, the Company has contributed to, and benefit from, the exponential economic growth of Shanghai in the last three decades. In 1991, the Company established taxi operations in Shanghai. Since 2001, the Company made the conversion of piped gas delivery infrastructure from coal gas to natural gas in Shanghai. The Company further expanded its public utility business into wastewater treatment and the public infrastructure industries since 2003. These projects are part of public welfare and economic development plans implemented by the Shanghai government, which have brought significant social benefits to the local residents and enhanced the Company's brand image. The success of the Company's public utility operations in Shanghai served as a foundation for further expansion of its operations. The Company's extensive operational experience enabled it to expand and quickly ramp up its operations in Eastern China. The Company believes it is well-positioned to leverage its leading industry position and market reputation in Shanghai to continue to capitalize on the future development of Shanghai.

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

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

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

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

(5) Standardized and improved corporate governance

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

(6) Continuous financing ability

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

IV. DISCUSSION AND ANALYSIS OF OPERATION

2018 was the second year for the Company to become an A+H listed company and also a key year for the Company to steadily develop into a new stage. By adhering to the development strategy of "simultaneous development of public utility and financial investment", the Company paid attention to public utility investment, based on enhancing and upgrading internal management level, oriented at optimizing outbound investment project and took advantages from centralized capital use benefit, so as to continuously advance the implementation of various key works such as the completion of new projects for primary public utility business, optimization of outbound investment project model, enrichment of financing channels and capital intensive management.

During the Reporting Period, the Company recorded a total revenue of RMB2,689,753 thousand, increasing by 8.44% as compared to the corresponding period of last year. Net profit attributable to equity holders of listed company was RMB126,065 thousand, decreasing by 37.82% as compared to the corresponding period of last year.

1. The subsidiary of the Company, Dazhong Transportation, has responded actively to fierce market competition. It constantly adapts to new requirements proposed by investment upgrade and consumption upgrade and improves supply quality through business pattern innovation, system innovation and technical innovation. It has always dedicated to implement innovation and reform, firmly adhered to the philosophy of technology-led market, unswervingly pursued the development path of "industry + investment" and committed to achieved good performance with outstanding quality.

2. The principal business in gas sector recorded noticeable and positive development. For Dazhong Gas, it operated its business by following the principle of "ensuring safety, seeking development, striving for economic benefits and facilitating the management", and accordingly maintained steady and positive operation result for the first half of 2018. Taking the security assurance of the Shanghai Import Expo as its priority task, Dazhong Gas also constantly improve its comprehensive ability to secure adequate gas supply and managed to achieved the safety management goal of "avoiding occurrence of the 6 specified accidents and controlling incidence of minor injuries" for the first half of 2018. For Nantong Dazhong Gas, it has proactively fulfilled the supply guarantee requirement put forwarded by local government and accomplished relevant tasks outstandingly during the New Year's holiday and the Spring Festival holiday. It also devoted to facilitate the construction of the LNG Storage Station at the North Nantong area, so as to support the local urban rail transit construction. As for Suchuang Gas, it has been committed to transforming to an integrated energy and energy saving and environmental conservation service provider through project investments. In the first half of 2018, the Company indirectly held 37.2255% equity interest in Jiangyin Tianli by acquiring the equity interest in Shanghai Ruyu and Shanghai Huiran. Jiangyin Tianli is a company based in Jiangyin City, Jiangsu Province with urban pipeline gas operation as its principal business. It is believed that the transaction would exert a positive impact on the development of the Company's principal gas business and the improvement of its core competitiveness.

3. Projects in the environment and infrastructure segment are all under stable operation. In the first half of 2018, the construction and competition inspection of Jiading sewage plant major upgrading project which commenced in April 2017 has been completed, after which the plant has formally started to operate under A+ standard and its sewage treatment quality have both improved significantly. In the first half of 2018, Jiangsu Dazhong Water has attached significant importance to compliance governance, viewing discharging standard as enterprise lifeline, cost control as the key to improve the Company's operating efficiency and project development as the most important approach to expand its scale. Under the keen competition, Jiangsu Dazhong has successfully won the bid for Xuzhou Qingshanquan sewage plant project. Xiangyin Road tunnel project operated with high efficiency and recorded stable concession income.

4. As for financial investment segment, in the first half of 2018, Dazhong Financial Leasing further improved the standard for identifying potential customers and leveraging its leading position in the industry, strived to enhance its continuous marketing activities towards high quality customers. With such efforts, incremental investment and revenue of Dazhong Financial Leasing both hit record high and it has formally connected to the credit system of the People's Bank of China (the "PBOC"). Dazhong Commerce actively implemented various requirements from the PBOC and Payment & Clearing Association of China, and in doing so, it promoted stable increase of sales, developed withholding business, improved the performance of e-commerce platform, explored acceptance market and promoted technology development and product upgrading. In the first half of 2018, investment platforms and projects in which the Company invests or holds equity interests all reported satisfactory performance and for some of them, the Company has completed equity transfer and investment exit.

5. We strengthened our financial and fund management. During the first half of 2018, the Company continuously promoted the improvement of its overall financial and fund management by actively pushing forward the construction of fund pool to establish a unified fund management system and enhancing the supervision on the revenue and expenditure to use fund more efficiently. The Company achieved breakthroughs in credit rating. The credit rating of the Company has been improved from AA+ to AAA together with a stable rating outlook. The credit rating of various bonds issued by the Company also has been improved from AA+ to AAA.

6. We actively pushed forward informatization construction to optimize the Company's strategic management and control. During the first half of 2018, the Company carried forward its informatization construction guided by two principles of "strategic synergy" and "strategic management and control". In order to build a "big data" application and analysis platform, the phrase I of the ECC Project (Enterprise Centralized Control Center Construction Project) has been launched, which achieved a display function for the Company's core business and the infrastructure construction for the Company's core data analysis and decision making. Leveraging on the advanced "cloud services" technology, an enterprise-level cloud coordination mobile portal has been used across the Company to further consummate the Company's informationized strategic management and control. The Company has preliminarily achieved the platformization of its business system and the integration of business and finance. The Company also further optimized the information system for the labor cost's budgets and final accounts of the Company, its wholly-owned and holding subsidiaries.

7. We strengthened safety awareness and enhanced safe management level. The Company attached great emphasis on safe production by upholding a principle of "Safety First, Focusing on Prevention and Comprehensive Management" and establishing a sound system of responsibility in safe production. In the first half of 2018, under the guidance of the Company's steering group on safety production, the Company signed the letter of responsibility for safety production of the year with its subsidiaries during the first half of this year to supervise and urge subsidiaries to conduct self-checking and correction work, thus no incidents of safety production occurred during the first half of 2018.

(I) Analysis on principal businesses

1 Analysis of changes in related items of financial statements

Unit: RMB'000

Item	Amount for the period	Amount for the corresponding period of the previous year	Percentage change (%)
Operating Revenue	2,689,753	2,480,420	8.44
Operating cost	2,291,067	2,035,448	12.56
Selling expenses	87,938	79,997	9.93
Administrative expenses	166,323	185,131	-10.16
Finance expenses	148,246	94,936	56.15
Net cash flows generated from operating activities	64,526	445,482	-85.52
Net cash flows generated from investing activities	(1,806,922)	(1,508,412)	19.79
Net cash flows generated from financing activities	(618,981)	951,297	-165.07

Reason for changes in net cash flows generated from operating activities of the Company during the Reporting Period	:	Gas purchases payment by subordinate gas companies under the Company in the first half of 2018 increased as compared with the corresponding period of last year.
Reason for changes in net cash flows generated from investing activities	:	The Company paid investment amounts for Shanghai Ruyu, Shanghai Huiran, Dazhong Run, BC Growth VI Fund Sp and Aiqi Ruidong, made capital contribution to Hua Can Fund and acquired financial products during the current period.
Reason for changes in net cash flows generated from financing activities	:	The repayment for corporate bonds (ie. 11 Hu Dazhong) of RMB1.6 billion by the Company during the current period.

Unit: RMB'000

Main businesses by industry

By industry	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the previous year (%)	Increase/ (decrease) in cost of sales as compared to the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the previous year (%)
(1) Piped gas supply	2,484,120	2,225,757	10.4	6.8	11.66	decreased by 3.9 percentage points
(2) Wastewaters treatment	126,223	59,061	53.21	56.68	65.39	decreased by 2.46 percentage points
(3) Financial services	55,327	79	99.86	14.64	-80.25	increased by 0.69 percentage points
(4) Revenue from municipal tunnel operation	24,083	6,170	74.38	-6.21	2.63	decreased by 2.21 percentage points
Total	2,689,753	2,291,067	14.82	8.44	12.56	decreased by 3.12 percentage points

2. *Main businesses by geographical locations*

Unit: RMB'000

Regions	Revenue	Increase/ (decrease) in revenue as compared to the previous year (%)
Shanghai	2,207,701	5.99
Nantong	445,769	18.83
Xuzhou	36,283	62.54
Total	2,689,753	8.44

(II) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB'000

Item	Balance at the end of the current period	Percentage of total assets at the end of the current period (%)	Balance as the end of the previous period	Percentage of total assets at the end of the previous period (%)	Change at the end of the current period compared to the previous period (%)	Explanation
Lease receivables	1,014,056	5.13	729,022	3.57	39.10	Develop finance lease business of subsidiaries
Cash and cash equivalents	2,595,514	13.12	4,912,508	24.08	-47.17	Mainly due to repayment of corporate bond (11 Hu Dazhong) amounting to RMB1.6 billion at the beginning of the year and increased external investment for the current period
Corporate bonds and short-term bonds payable	1,036,099	5.24	2,609,653	12.79	-60.30	Mainly due to repayment of corporate bond (11 Hu Dazhong) amounting to RMB1.6 billion at the beginning of the year
Other payables	1,679,827	8.49	836,597	4.10	100.79	Mainly due to increase of receivables and payables
Borrowings	1,133,324	5.73	827,882	4.06	36.89	Mainly due to increased long-term borrowing for developing finance lease business of subsidiaries
Corporate bonds and medium-term bonds payable	1,592,284	8.05	1,092,799	5.36	45.71	Mainly comprise new corporate bond (18 Gongyong 01) amounting to RMB500 million

2. Restriction of major assets as of the end of the Reporting Period

Please refer to notes 24 and 25 of the financial statements of the interim report.

**Notes: For identification purpose only*

(III) Investment Analysis

1. *Overall Analysis of External Equity Investment*

(1) Material Equity Investment

Unit: 0'000 Currency: RMB

Name of investees	Principal activities	Investment amount during the Reporting Period	Shareholding ratio (%)	Carrying amount at the end of the period	Profit or loss on investments during the Reporting Period	Source of funds	Investment horizon	Whether involved in lawsuits or not
Shanghai Dazhong Run Logistics Shares Co., Ltd. (上海大眾運行物流股份有限公司)	General freight, etc.	9,600	80	9,600		self-financing	Long term	N
Beijing Aiqi Ruidong Investment Management Center (Limited Partnership) (北京愛奇瑞東投資管理中心(有限合夥))	Investment management; asset management; project investment	2,000	9.43	2,000		self-financing	Long term	N
Shanghai Ruyu and Shanghai Huiran (上海儒馭、上海慧冉)	Industrial investment, management consulting, business information consultancy	43,118.44, 21,085.78	100 49	64,204.22		self-financing	Long term	N
Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	Consultation service of corporate operation and management, modern logistics, transportation, etc.	649.78	26.77	248,784.53	7,472.93	self-financing	Long term	N
Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership) (上海華璨股權投資基金合夥企業(有限合夥))	Equity investment, equity investment management, investment management, industrial investment and financial advisory	3,000	55.53	52,085.70	(375.76)	self-financing	Long term	N
BC Growth VI Fund Sp	Equity investment	US$1,090	37	6,282.07		self-financing	Long term	N

REPORT OF THE BOARD OF DIRECTORS

1. On March 29, 2018, the Company entered into the Shanghai Assets and Equity Exchange Contract with Shanghai Dazhong Business Management and Shanghai Yiyang Landscaping Co., Ltd.* (上海怡陽園林綠化有限公司) to acquire 61.67% and 18.33% equity interests in Shanghai Dazhong Run Logistics Shares Co., Ltd.* (上海大眾運行物流股份有限公司) held by Shanghai Dazhong Business Management and Shanghai Yiyang Landscaping Co., Ltd.* (上海怡陽園林綠化有限公司), respectively, for an aggregated consideration of RMB96 million. For details of the transaction, please see the announcement of the Company dated on March 29, 2018.

2. On May 3, 2018, the Company and Dazhong Transportation entered into the Partnership Agreement and the Capital Contribution Agreement for Beijing Aiqi Ruidong Investment Management Center (Limited Partnership*)(北京愛奇瑞東投資管理中心(有限合夥))with each of Tibet Jinkun Venture Capital Management Co., Ltd.* (西藏錦坤創業投資管理有限公司) and other limited partners. Each of the Company and Dazhong Transportation has subscribed a contribution of RMB220 million to become limited partners of Beijing Aiqi Ruidong Investment Management Center (Limited Partnership)* (北京愛奇瑞東投資管理中心(有限合夥)). For details of the transaction, please see the announcement of the Company dated on May 4, 2018.

3. On May 18, 2018, the Company entered into Equity Transfer Agreement with Mr. Lin Kewen and Mr. Lin Leiyuan, pursuant to which the Company shall acquire 100% equity interests in Shanghai Ruyu which was owned as to 89% by Mr. Lin Kewen and as to 11% by Mr. Lin Leiyuan, and 49% equity interests in Shanghai Huiran held by Mr. Lin Kewen, respectively, for a consideration of RMB1,077,960,971.51 and RMB527,144,474.29, respectively. Through such transfer (if effected), the Company would hold, directly or indirectly, an aggregate of 37.2255% equity interests in Jiangyin Tianli. For details of the transaction, please see the announcement of the Company dated on May 18, 2018.

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

5. In March 2017, the Company has joined the partnership of a fund called Hua Can Fund (華璨基金) through receiving a contribution of RMB90 million and making a monetary contribution of RMB910 million. The first contribution was RMB500 million, representing a 60.24% interest in the initial capitalization. For details, please refer the announcement of the Company dated on March 10, 2017. During the reporting period, the additional contribution of the Company was RMB30 million. As at the end of the reporting period, the Company accounted for 55.53% of the paid-up amount of Hua Can Fund (華璨基金).

6. During the reporting period, the Company made investment with totaling to US$10.9 million to a fund called BC GLOBAL FUND SPCBC GROWTH VI FUND SP under BC Capital (拔萃資本).

**Notes: For identification purpose only*

(2) *Financial Assets at Fair Value*

Unit: RMB'000

Item	Closing balance	Opening balance
Financial assets at fair value through profit and loss	1,536,885	21,178
Financial assets at fair value through other comprehensive income	434,396	–
Available-for-sale financial assets	–	133,441
Total	1,971,281	154,619

(IV) Material Disposal of Assets and Equity

During the Reporting Period, the Company entered into the"Property Right Transfer Contract" (《產權交易合同》) with Tiancheng Investment Management Co., Ltd.* (上海天頡投資管理有限公司) in Shanghai, under which, the Company transferred the equity interests in 1,612,900 shares of Shanghai Hangxin Investment Management Co., Ltd.* (上海杭信投資管理有限公司) held by the Company at the transfer price of RMB8,604,500. The above equity transfer has been filed with Shanghai Administration for Industry and Commerce on 14 March, 2018.

(V) Analysis of Major Controlling Companies and Participating Companies

Unit: RMB

Company name	Registered Capital	Business Scope	Total assets	Net assets	Total revenue	Net profit
Dazhong Transportation (Group) Co., Ltd.* (大眾交通（集團）股份有限公司)	2,364,122,864.00	Modern logistics and transportation	15,783,628,490.47	8,697,138,971.78	1,541,938,023.09	279,361,636.91
Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司)	4,202,249,520.00	Venture investment organization	28,543,585,923.65	12,852,152,111.01	475,623,572.20	380,363,025.09
Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有限公司)	1,000,000,000.00	Supply of gas	4,800,752,824.83	1,508,356,509.28	2,042,918,449.65	56,020,624.38

**Notes: For identification purpose only*

(VI) Potential Risks

1. *Risk of pricing policies*

   The public utility business we engaged in focuses on both economic benefits and social welfare. The development and profit level of these businesses are subject to certain policy risks. The governments pricing model and pricing mechanism for gas price, wastewater treatment price and city taxi transportation price may affect the profitability of the Company

2. *Risk of raw material price fluctuation*

   As a public utility enterprise, the Company has mass consumption of raw material in urban gas supply and environment and municipal infrastructure sectors, which is an important part of the operation cost of the Company, including gas sources, chemical agents and electricity. The supply and price of which would be affected by prevailing domestic and overseas market conditions and pricing policies of relevant authorities. The operation cost of the Company would be raised when the market volatility or change to policies occurred.

3. *Risk of financial credit*

   If any individual and corporate customers are, subjectively or objectively, not able to perform their contractual obligations or responsibilities, the operating results, financial position and profitability of Company's proprietary financial service business (including finance leasing) may be adversely affected.

4. *Investment risk of financial investment business*

   The Company adheres to the corporate development strategy of "simultaneous development of public utility and financial investment (公用事業和金融創投齊頭並進)" and actively promotes the financial investment business. As venture capital business is inherently risky, the Company's investment in financial investment sector may be subject to certain investment risk.

5. *Risk of overseas investment and exchange rate fluctuation*

The risk of overseas investment refers to the risks objectively existed, yet hard to be identified in advance in overseas investment environment for a certain period of time, which may lead to a loss and then failure in overseas investment, including political risk, cultural risk and market risk. Affected by domestic and foreign economic, political situations as well as the supply and demand of currencies, the exchange rates of RMB against other currencies in the future may be greatly different from the prevailing exchange rates, which would have a certain impact on the operating results of the Company.

6. *Risk of production safety and environmental protection-related policies*

The gas sales and construction of gas pipelines engaged by the Company are easily affected by certain uncertainties. Recently, following the continuous enhancement of the safety standards of the operation and construction of gas pipelines, the Company is facing certain pressure in safe supply. One of the Company's principal businesses is wastewater treatment operations. Such business is subject to stringent requirements under the PRC's laws and regulations and policies in relation to environmental protection, and thus is subject to risk associated with environmental accidents.

(VII) Business outlook of 2018

There are no significant change on the Group's prospects for new business development, which remains the same as those disclosed in the 2017 annual report.

V. PROFIT DISTRIBUTION PLAN OR RESERVE-TO-EQUITY TRANSFER PLAN

1. Details of the implementation or adjustment of the profit distribution plan during the Reporting Period

The profits distribution plan of the Company for the year ended December 31, 2017 has been considered and approved by the Shareholders at the 2017 AGM. The Company distributed a final cash dividend of RMB0.60 for every 10 Shares (tax inclusive) to the Shareholders (the "Final Dividend"). The Final Dividend is denominated and declared in Renminbi, and is payable to H Shareholders in Hong Kong dollars. The relevant exchange rate is determined at RMB0.809256 equivalent to HK$1.00 as the average of the mid-point of the exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China during five working days prior to the date of announcement of the Final Dividend (i.e. the date of the 2017 AGM). Accordingly, the Final Dividend to the H Shareholders is HK$0.741422 for every 10 Shares (tax inclusive).

On July 16, 2018, the distribution of the above Final Dividend was completed.

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

The Company proposed not to distribute cash dividends, issue bonus shares or transfer reserve to share capital for the Reporting Period.

VI. PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

VII. EMPLOYEES AND REMUNERATION POLICIES

The Directors and Supervisors receive compensation in the form of fees, salaries, allowances and benefits-in kind and retirement benefit plans contributions. The remuneration of the Directors and Supervisors is determined with reference to the performance of the Company and is based on annual audited financial statements. The remuneration of some of the Directors, who are the directors or general managers of the Company's subsidiaries, is also determined with reference to the annual performance appraisal target (task) book (年度績效考核目標(任務)書) signed between those Directors and the Company. The Remuneration and Appraisal Committee of the Company is responsible for reviewing and examining the remuneration policies and plans of the Directors, president and other senior management of the Company from time to time.

Developing and maintaining a team of capable and motivated managerial, technical and other employees is critical to the Group's success. Compensation for the Group's employees includes basic wages, bonuses and other staff benefits. The Group also provides social insurance and other benefits to its employees, such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing and personal accident insurance pursuant to PRC labor law and relevant requirements of the national and local governments. Basic pension insurance, basic medical insurance, unemployment insurance and housing funds are contributed by the Group and the employees at a certain proportion in accordance with the relevant local requirements. The work injury insurance and maternity insurance are generally paid by the Group. The Group reviews the performance of its employees annually, the results of which are applied in his or her annual salary review and promotion appraisal. The Group also provide on-the-job training to our employees from time to time.

As at June 30, 2018, the Group has 3,280 employees. The Group's employee expenses was RMB223.10 million for the Reporting Period.

VIII. REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2018, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Wang Hongxiang, Mr. Yao Cho Fai Andrew and Mr. Chow Siu Lui. The chairman of the Audit Committee is Mr. Wang Hongxiang. The Audit Committee has reviewed this interim report.

IX. USE OF PROCEEDS

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

On January 9, 2017, the Company further completed the public offering of 54,703,000 additional H Shares (comprising 49,730,000 new H Shares issued and allotted by the Company and 4,973,000 H Shares sold by the Selling Shareholders) due to the partial exercise of the over-allotment options at the issue price of HK$3.60 per H Share. Additional net proceeds (after deducting the underwriting fees and commissions, transaction levy and trading fee) of approximately HK$175.0 million were received by the Company.

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

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

The total funds raised from the whole public offering and details of the use of proceeds are as follows:

Total proceeds raised from the issue	Intended use of the proceeds as previously disclosed	Utilised proceeds during the six months ended June 30, 2018	Unutilised proceeds as of June 30, 2018	Expected timeline for the use of unutilised proceeds
HK$1,619.5 million	Please see above	HK$62.27 million utilised in accordance with the intended use as previously disclosed, for investment in piped gas supply business	HK$1,557.23 million will be utilised in accordance with the intended use as previously disclosed	No plans to use the remaining unutilised proceeds in the second half of 2018

REPORT OF THE BOARD OF DIRECTORS

X. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Overview

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

Bank Borrowings

As of June 30, 2018, the Group had total bank borrowings of approximately RMB3,758 million, which decreased by 2.03% from RMB3,836 million as of December 31, 2017.

The Group's long-term interest-bearing borrowings and short-term interest-bearing borrowings as of June 30, 2018 were RMB1,134 million and RMB2,624 million, respectively. For the maturity profile of the loans repayable of the Group as of December 31, 2017 and June 30, 2018, please refer to note 25 of the financial statements of this interim report.

Corporate Bonds and Notes

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

Gearing Ratio[1]

As of June 30, 2018, the Group's gearing ratio was 58.53%, representing a decrease of 0.83 precentage points from 59.36% as of December 31, 2017.

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

REPORT OF THE BOARD OF DIRECTORS

Pledged Assets

As of June 30, 2018, bank borrowings with an aggregate amount of RMB1,042 million (as of December 31, 2017: RMB912 million) were secured by the Group's asset. For details, please refer to note 25 to the financial statements in this interim report.

Contractual and Capital Commitments

Operating leases — leasee

Except for the prepaid premium for land leases, the Group leases certain of our land and buildings and office premises under operating lease arrangements. Leases for land and buildings and office premises are for terms ranging from 1 to 3 years. For the agreement commitments and the capital commitments of the Group as of December 31, 2017 and June 30, 2018, please refer to note 32 of the financial statements of this interim report.

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities.

SIGNIFICANT EVENTS

I. GENERAL MEETING

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

Information on the general meeting

1. Attendance of shareholders in the 2017 AGM and the respective numbers of shares are as follows:

Attendance of shareholders and the respective numbers of shares	A Shares	H Shares	Total
Number of shareholder and proxy attending the meeting	22	1	23
Number of shares carrying voting rights held by the shareholders attending the meeting (Share)	654,645,837	17,156,000	671,801,837
Percentage of the shares carrying voting rights held by the shareholders attending the meeting among the total number of shares carrying voting rights of the Company (%)	22.1731	0.5811	22.7542

The meeting considered and approved resolutions including the work report of the Board of directors for the year 2017, the work report of the Board of Supervisors for the year 2017, the final financial report for the year 2017 and the financial budget report for the year 2018, the profit distribution proposal of the Company for the year 2017, resolution on the estimated ongoing ordinary related party transactions of the Company for the year 2018, resolution on the application of bank credit facilities of the Company, resolution on the proposal of the provision of guarantee for its controlled subsidiaries with respect to their external financing, resolution on the proposal for the Company and its subsidiaries to use idle funds for entrusted financing, resolution on the re-appointment of the domestic audit firm and internal control audit firm for the Company for the year 2018, resolution on the re-appointment of the overseas audit firm for the Company for the year 2018, resolution on the registration and issuance of super short-term commercial papers and short-term commercial papers, resolution on the registration and issuance of mid-term notes, resolution on the adjustment of independent directors' allowance, resolution on the amendment on the Articles of Association and the change on industrial and commercial registration. The general meeting was witnessed by lawyers of Jin Mao PRC lawyers (金茂凱德律師事務所) in person and documents with legal opinions were delivered. The legal opinions were that the meeting was lawful and valid.

II. PERFORMANCE OF UNDERTAKINGS

Undertakings of the de facto controller of the Company, shareholders, related parties, Acquirer and the Company during or subsisting to the Reporting Period

Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Other undertaking	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	In the coming 6 months, the Company will not decrease their shareholding in A shares or B shares of Dazhong Transportation	Within the statutory deadline	Yes	Yes	Undertaking has been fulfilled	–

III. THE APPOINTMENT AND DISMISSAL OF ACCOUNTANTS

On May 17, 2018, the 2017 AGM considered and approved Resolution on the Re-appointment of the Domestic Audit Firm and Internal Control Audit Firm for the Company for the Year 2018, Resolution on the Appointment of the Overseas Audit Firm for the Company for the Year 2018. The meeting agreed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the domestic audit firm and internal control audit firm for the Company in 2018 and BDO Limited as the overseas audit firm for the Company in 2018.

IV. MATTERS RELATING TO BANKRUPTCY AND REORGANIZATION

Not applicable.

V. PUNISHMENT AND RECTIFICATION AGAINST LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER AND BUYER

Not applicable.

VI. DESCRIPTION OF THE REPUTATION OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, there was no outstanding significant claim amount unsettled by the Company and its controlling shareholders and de facto controllers which was ordered by the court to pay.

VII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

Not applicable.

SIGNIFICANT EVENTS

VIII. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transaction related to day-to-day operation

1. *Matters that have been disclosed in temporary announcements and have no developments or changes in subsequent implementation*

   Not applicable.

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

Description of matter	Index for enquiry
Shanghai Dazhong Gas, Nantong Dazhong and other subsidiaries of the Company acquired natural gas from and Shanghai Dazhong Gas leased an office premise from Shanghai Gas (Group), the second largest shareholder of the Company.	www.sse.com.cn (Lin No.2018-007)
Due to office operation needs, the Company leased office space from Shanghai Dazhong Building Co., Ltd. (上海大眾大廈有限責任公司) ("Dazhong Building").	www.sse.com.cn (Lin No.2018-007)

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

   Not applicable.

(II) Related party transactions relating to the acquisition of assets and acquisition and disposal of equity

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

Description of matter	Index for enquiry
The Company had acquired 61.67% and 18.33% equity interest of Shanghai Dazhong Run Logistics Shares Co., Ltd.* (上海大眾運行物流股份有限公司) from Shanghai Dazhong Business Management and Shanghai Yiyang Landscaping Co., Ltd.* (上海怡陽園林綠化有限公司), respectively. The consideration of the transaction is RMB74 million and RMB22 million, totalling to RMB96 million.	For details, please refer to the announcement of the Company on the Hong Kong Stock Exchange website dated on March 29, 2018.

**Notes: For identification purpose only*

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

On December 8, 2017, the Company entered into the"Shanghai Property Right Transfer Contract" (《上海市產權交易合同》) with Dazhong Transportation (Group) Co., Ltd.* (大眾交通(集團)股份有限公司) in Shanghai, under which, the Company transferred the equity interests in 100,000,000 shares of Shanghai Minhang Dazhong Micro-credit Co., Ltd.* (上海閔行大眾小額貸款股份有限公司) held by it at the transfer price of RMB102,500,000 (details please see announcement Lin 2017-056). During the Reporting Period, the equity transfer has been filed with Shanghai Administration for Industry and Commerce on January 31, 2018. On February 11, 2018, Dazhong Transportation has paid all equity transfer amounts to the Company.

(III) Material related party transactions regarding joint external investment

1. *Matters that have been disclosed in temporary announcements and have no developments or changes in subsequent implementation*

Not applicable.

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

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

(2) On November 20, 2017, the Company issued the Announcement Regarding Capital Increase to Subsidiary and Related Transaction. It is disclosed that the Company and Shanghai Gas Group had made capital increase to Dazhong Gas totalling to RMB200 million in proportion to their original respective shareholding, which means the Company and Shanghai Gas Group shall make capital contribution in the sum of RMB100 million respectively. The Company had completed the first capital contribution of RMB50 million in 2017 and the second capital contribution of RMB50 million during the Reporting Period according to the agreement between the parties.

**Notes: For identification purpose only*

IX. CONTINUING CONNECTED TRANSACTION UNDER CHAPTER 14A OF THE HONG KONG LISTING RULES

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

In the first half of 2018, Dazhong Gas purchased piped gas from Shanghai Gas Group in its ordinary course of business at the total consideration of RMB1,729 million.

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

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

2. Sale and Leaseback of Assets Agreements Signed in 2017

On May 25, 2017, Dazhong Jiading Sewage, a wholly-owned subsidiary of the Company, and Dazhong Financial Leasing, a non-wholly owned subsidiary of the Company, entered into a title transfer agreement I ("Title Transfer Agreement I"), pursuant to which Dazhong Jiading Sewage agreed to sell certain asset ("Asset I") to Dazhong Financial Leasing at a consideration of RMB150 million (equivalent to approximately HK$168 million). On the same date, Dazhong Jiading Sewage and Dazhong Financial Leasing entered into a leaseback contract I ("Leaseback Contract I") (Title Transfer Agreement I together with the Leaseback Contract I, "After-Sale Leaseback I"), pursuant to which Dazhong Financial Leasing agreed to leaseback Asset I to Dazhong Jiading Sewage during the lease period. Upon expiry of the lease period and subject to full performance of its obligations by Dazhong Jiading Sewage under the Leaseback Contract I, Dazhong Financial Leasing shall transfer the title of Asset I back to Dazhong Jiading Sewage or any third party as designated by Dazhong Jiading Sewage at a nominal price of RMB100.

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

Dazhong Financial Leasing is a non-wholly owned subsidiary of the Company. It is also directly owned as to 15% by Shanghai Dazhong Business Management, the substantial Shareholder of the Company. According to Rule 14A.16 of the Hong Kong Listing Rules, Dazhong Financial Leasing is a connected subsidiary of the Company. Therefore, the disposal of Asset I contemplated under the Title Transfer Agreement I ("Disposal I") constitutes a connected transaction and the leasing of Asset I contemplated under the Leaseback Contract I constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

3. **Sale and Leaseback of Assets Agreements Signed in 2018**

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

Dazhong Financial Leasing is a non-wholly owned subsidiary of the Company. Shanghai Dazhong Business Management is the substantial shareholder of the Company. Shanghai Dazhong Xingguang Taxi Co., Ltd. is the subsidiary of our substantial Shareholder, Shanghai Dazhong Business Management. In addition, Mr. Yang Guoping (楊國平) and Mr. Liang Jiawei (梁嘉瑋), who are the executive Directors of the Company, are also the directors of Shanghai Dazhong Business Management. The Title Transfer constitutes a connected transaction for the Company under the Listing Rules. Since the highest applicable percentage ratio in respect of the Title Transfer is more than 0.1% but less than 5%, the Title Transfer is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

The above continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended June 30, 2018.

**Notes: For identification purpose only*

X. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1 Guarantees

Unit: RMB

Guarantees given by the Company for its subsidiaries (excluding those provided to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Actual effective date (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed?	Overdue?	Overdue amount	Counter Guarantee available?	The guarantee is given for any connected party?	Relationship
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	0
Guarantees provided by the Company to subsidiaries	
Total guaranteed amount to subsidiaries during the Reporting Period	411,650,698.75
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)	1,653,908,154.09
Total guarantees (including guarantees to subsidiaries) provided by the Company	
Total guaranteed amount (A+B)	1,653,908,154.09
Total guaranteed amount as a percentage of the net asset value of the Company (%)	23.59
Of which:	
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)	0
Debt guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)	1,437,317,976.94
Total guaranteed amount in excess of 50% of net asset value (E)	0
Total guaranteed amount of the above three items (C+D+E)	1,437,317,976.94
Statement on the contingent joint liability in connection with unexpired guarantees	–
Details of guarantees provided by the Company	–

XI. INFORMATION ON CONVERTIBLE CORPORATE BONDS

Not applicable.

XII. ENVIRONMENTAL PROTECTION OF COMPANIES AND SUBSIDIARIES CATEGORIZED AS KEY POLLUTANT DISCHARGING UNITS ANNOUNCED BY ENVIRONMENTAL PROTECTION AUTHORITIES

Not applicable.

SIGNIFICANT EVENTS

XIII. OTHER MAJOR EVENTS

(I) Compare with financial reports of last year, explanation and reason for the changes of accounting policy, accounting estimate and accounting method and the respective effect.

Please refer to note 2 to the unaudited condensed consolidated financial statements in this report.

There was no material impact to the 2018 interim report preparing in accordance with International Accounting Standards.

(II) Explanation for major accounting errors correction during the Reporting Period and need to trace the restatement, the amount of correction, its reason and effect

Not applicable.

XIV. CORPORATE GOVERNANCE

BASIC INFORMATION ON CORPORATE GOVERNANCE

As a dual-listed company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and regulations in the PRC, Shanghai Listing Rules and the Hong Kong Listing Rules during the Reporting Period. The Company is committed to rigorous corporate governance and risk management.

I. Corporate Governance

During the Reporting Period, the Company strictly followed the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Code of Corporate Governance and Corporate Governance Report under Appendix 14 of the Hong Kong Listing Rules, relevant laws and regulations promulgated by the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange as well as the requirements under the Articles of Association. The corporate governance structure was constantly optimized to enhance company operation. Currently, the Company has formed a governance mechanism with clear authorities and responsibilities and checks and balances as well as an effective internal control system in compliance with the requirements of listed companies, and are operated strictly in accordance with the legislation.

SIGNIFICANT EVENTS

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

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

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

3. Directors and the Board: The Board consists of 13 directors; five of them are independent non-executive Directors. Each Director attends Board meeting and general meeting in a conscientious and responsible manner and earnestly performs his/her duties for the interests of the Company and all shareholders so as to facilitate standardized operation and rational decision-making. There are audit committee, nomination committee and remuneration and appraisal committee under the Board; each professional committee has clearly defined roles and duties. Each Director fulfills his/her obligations with diligence and provides strong support for the rational decision of the Company. During the Reporting Period, 5 Board meetings, which were convened in compliance with the relevant requirements under the Company Law and the Articles of Association, were held by the Company.

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

5. Information Disclosure and Transparency: In accordance with the requirements of the "Administrative Measures for the Disclosure of Information of Listed Companies" and "The Management System for Information Disclosure of the Company", the secretary of the Board and the Board office of the Company are responsible for the disclosure of information and management of investor relationship. The Company strictly complies with the requirements of the law and regulations to fulfill the responsibilities of disclosure in a truthful, precise, complete and timely manner.

6. Investor Relationship and Stakeholders: The Company emphasized the maintenance of the investor relationship. Through investor hotlines, E-Interaction of the Shanghai Stock Exchange, it maintains communication with investors, warmly receives visits and onsite investigation by personal investors and institutional investors. After H Share issuance, the Company's website was modified to provide simplified Chinese, traditional Chinese and English versions so that more investors can have deeper understanding of the Company's operation and development. The Company gave full respects to the shareholders, customers, staff and other stakeholders and protected their legitimate rights and interests from the perspective of system building and in each link of business operation, ensured the development of the Company in a sustainable, harmonious, healthy and standard way, in order to achieve all-win results for the Company and all stakeholders, thus maximizing the Company's profits and social benefits.

7. Establishment of the Company's Governance System: According to the spirit of the "Guidance for the Article of Listed Company (Revised in 2014)" (CSRC Announcement [2014] No.47) issued by China Securities Regulatory Commission, during the Reporting Period, the "Resolution on the Amendments on the Articles of Association and Change on Industrial and Commercial Registration" was considered and approved at the 2017 AGM to amend the relevant terms of the Articles of Association.

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

SIGNIFICANT EVENTS

During the Reporting Period, according to the requirements of the regulatory departments, the Company further improved its organizational structure, institutional building and strengthened management of inside information, and ensured the actual status of the corporate governance of the Company complied with the requirements of the normative documents published by the CSRC regarding the corporate governance of listed companies.

COMPLIANCE WITH CG CODE

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Listing Rules upon Listing. The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code throughout the Reporting Period.

SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules.

Specific enquiries have been made to all the Directors and the Supervisors and the Directors and the Supervisors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also adopted the Securities Dealing Code governing securities transactions by the employees of the Company who may possess or have access to unpublished inside information in relation to dealing securities with terms no less favorable that the Model Code. The Company was not aware of any matters in relation to breaches of the Securities Dealing Code by any employee of the Company.

XV. SUBSEQUENT EVENTS

On July 24, 2018, the Company received the Investigation Notice (No.: Hu Diao Cha Tong Zi No. 20182023) from China Securities Regulatory Commission ("CSRC"), stating that: "As your company is suspected of being involved in short-swing trading, CSRC decided to commence an investigation on your company in accordance with relevant provisions under the Securities Law of the People's Republic of China. Please cooperate with CSRC." For details, please refer the announcement of the Company dated on July 26, 2018. As of the date of this report, the Company is cooperate fully with the investigation initiated by CSRC.

For other subsequent events, please refer to note 35 of the financial statements of this interim report.

Save as disclosed above, no material subsequent events of the Group occurred from the end of the Reporting Period to the date of disclosure of this report.

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

Table of changes in shares

1. *Table of changes in shares*

   There is no change in the number of shares or the shareholding structure during the Reporting Period.

2. *Explanation on changes in shares*

   Not applicable.

3. *The effects of changes in shares on financial indicators such as earnings per share and net assets per share subsequent to the end of the Reporting Period and up to the publication date of the interim report (if any)*

   Not applicable.

II. PARTICULARS OF SHAREHOLDERS

(1) Total number of shareholders:

Total number of shareholders of ordinary shares as at the end of the Reporting Period	200,927
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

(II) Particulars of shareholdings of the top ten shareholders and the top ten shareholders with tradable shares (or shareholders not subject to selling restrictions) as at the end of the Reporting Period

Unit: Share

Particulars of top 10 shareholders

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Pledged or moratorium Status of shares	Pledged or moratorium Number of shares	Nature of shareholders
HKSCC Nominees Limited	3,000	533,390,000	18.07	0	Nil		Overseas legal person
Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)	0	495,143,859	16.77	0	Pledged	476,500,000	Domestic non-state owned legal person
Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)	0	153,832,735	5.21	0	Nil		State-owned legal person
Lin Zhuangxi (林莊喜)	(2,038,677)	25,408,400	0.86	0	Nil		Domestic natural person
Lin Zehua (林澤華)	0	20,817,978	0.71	0	Nil		Domestic natural person
Xu Xin (徐新)	1,312,380	13,406,275	0.45	0	Nil		Domestic natural person
Lin Xianzhuan (林賢專)	0	13,189,105	0.45	0	Nil		Domestic natural person
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund* (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	4,623,900	12,820,726	0.43	0	Nil		Domestic non-state owned legal person
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	0	11,370,700	0.39	0	Nil		State-owned legal person
Cai Zhishuang (蔡志雙)	576,900	10,765,798	0.36	0	Nil		Domestic natural person

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares Type	Number
HKSCC Nominees Limited	533,390,000	Overseas listed foreign shares	533,390,000
Shanghai Dazhong Business Management Co., Ltd.* (上海大眾企業管理有限公司)	495,143,859	Ordinary shares denominated in RMB	495,143,859
Shanghai Gas (Group) Co., Ltd.* (上海燃氣(集團)有限公司)	153,832,735	Ordinary shares denominated in RMB	153,832,735
Lin Zhuangxi (林莊喜)	25,408,400	Ordinary shares denominated in RMB	25,408,400
Lin Zehua (林澤華)	20,817,978	Ordinary shares denominated in RMB	20,817,978
Xu Xin (徐新)	13,406,275	Ordinary shares denominated in RMB	13,406,275
Lin Xianzhuan (林賢專)	13,189,105	Ordinary shares denominated in RMB	13,189,105
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund* (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	12,820,726	Ordinary shares denominated in RMB	12,820,726
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	11,370,700	Ordinary shares denominated in RMB	11,370,700
Cai Zhishuang (蔡志雙)	10,765,798	Ordinary shares denominated in RMB	10,765,798

* *For identification purpose only.*

Explanations on the connected relationship or parties acting in concert among the above shareholders	The Company is not aware that any top 10 shareholders of tradable shares are connected with each other.
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings	Not applicable.

Explanation on the shareholding: Shanghai Dazhong Business Management holds 60,746,000 H shares, which are registered under Hong Kong Securities Clearing Company Nominees Limited, through Hong Kong Stock Connect and other ways. As of June 30, 2018, Shanghai Dazhong Business Management holds 555,889,859 shares of the Company (including 495,143,859 A shares and 60,746,000 H shares), representing approximately 18.83% of the total issued shares of the Company.

III. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Not applicable.

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

As at June 30, 2018, so far as is known to the Directors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name	Nature of interest	Class of Shares	Number of Shares[1]	Approximate percentage of interest in the Company[2]	Approximate percentage of relevant class of Shares[2]
Shanghai Dazhong Business Management Co., Ltd.*	Beneficial owner	A Shares	495,143,859 (L)	16.77%	20.47%
	Beneficial owner	H Shares	60,746,000 (L)	2.06%	11.38%
Shanghai Dazhong Business Employee Share Ownership Committee* (上海大眾企業管理有限公司職工持股會) [3]	Interest of controlled corporations	A Shares	495,143,859 (L)	16.77%	20.47%
	Interest of controlled corporations	H Shares	60,746,000 (L)	2.06%	11.38%
Shanghai Gas (Group) Co., Ltd.	Beneficial owner	A Shares	158,674,147 (L)	5.37%	6.56%
Shenergy (Group) Company Limited* (申能(集團)有限公司) [4]	Interest of controlled corporations	A Shares	158,674,147 (L)	5.37%	6.56%
ENN Energy China Investment Limited [5]	Beneficial owner	H Shares	129,261,000 (L)	4.38%	24.22%
ENN Energy Holdings Limited [5]	Interest of controlled corporations	H Shares	129,261,000 (L)	4.38%	24.22%
Wang Yusuo (王玉鎖) [5]	Interest of controlled corporations	H Shares	129,261,000 (L)	4.38%	24.22%
Hai Tong Asset Management (HK) Limited [6]	Investment manager	H Shares	86,174,000 (L)	2.92%	16.15%
Haitong International Holdings Limited [7]	Interest of controlled corporations	H Shares	68,174,000 (L)	2.31%	12.78%
Haitong International Securities Group Limited [7]	Interest of controlled corporations	H Shares	68,174,000 (L)	2.31%	12.78%
Haitong Securities Co., Ltd. [7]	Interest of controlled corporations	H Shares	68,174,000 (L)	2.31%	12.78%
Haitong International Financial Solutions Limited [7]	Beneficial owner	H Shares	68,174,000 (L)	2.31%	12.78%
New China Asset Management (Hong Kong) Limited [8]	Investment manager	H Shares	53,859,000 (L)	1.82%	10.09%
Investstar Limited [9]	Beneficial owner	H Shares	53,859,000 (L)	1.82%	10.09%
Towngas Investment Company Limited (煤氣投資有限公司) [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%

* *For identification purposes only*

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name	Nature of interest	Class of Shares	Number of Shares[1]	Approximate percentage of interest in the Company[2]	Approximate percentage of relevant class of Shares[2]
The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司) [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Faxson Investment Limited [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Henderson Land Development Company Limited [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Henderson Development Limited [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Hopkins (Cayman) Limited [10]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%
Riddick (Cayman) Limited [10]	Trustee	H Shares	53,859,000 (L)	1.82%	10.09%
Rimmer (Cayman) Limited [10]	Trustee	H Shares	53,859,000 (L)	1.82%	10.09%
Lee Shau Kee (李兆基) [9]	Interest of controlled corporations	H Shares	53,859,000 (L)	1.82%	10.09%

Notes:

(1) (L) – Long position

(2) As at June 30, 2018, the total number of issued shares of the Company was 2,952,434,675, including 2,418,791,675 A shares and 533,643,000 H shares.

(3) Shanghai Dazhong Business Management Employee Share Ownership Committee* (上海大眾企業管理有限公司職工持股會) is composed of (a) the employees of Shanghai Dazhong Business Management; (b) the employees of our Group; and (c) the employees of Dazhong Transportation. It is the beneficial owner of 90% equity interests in Shanghai Dazhong Business Management and is deemed to be interested in the entire A Shares interests held by Shanghai Dazhong Business Management.

(4) Shenergy (Group) Company Limited* (申能(集團)有限公司) is the beneficial owner of the entire equity interests in Shanghai Gas Group and is deemed to be interested in the A Shares held by Shanghai Gas Group.

(5) ENN Energy China Investment Limited is wholly owned by ENN Energy Holdings Limited (Stock Code: 02688.HK). Mr. Wang Yusuo is the controlling shareholder of ENN Energy Holdings Limited. Therefore, each of ENN Energy Holdings Limited and Mr. Wang Yusuo is deemed to be interested in the H Shares held by ENN Energy China Investment Limited under the SFO.

(6) According to data from the HKExnews's website as of 30 June, 2018.

(7) Haitong Securities Co., Limited beneficially owns 100% of Haitong International Holdings Limited. Haitong International Holdings Limited beneficially owns 63.08% of Haitong International Securities Group Limited. Haitong International Securities Group Limited beneficially owns 100% of Haitong International (BVI) Limited. Haitong International (BVI) Limited beneficially owns 100% of Haitong International Finance Company Limited. Haitong International Finance Company Limited beneficially owns 100% of Haitong International Financial Solutions Limited. Haitong Securities Co., Limited, Haitong International Holdings Limited, Haitong International Securities Group Limited, Haitong International (BVI) Limited and Haitong International Finance Company Limited are deemed to be interested in the 68,174,000 H Shares held by Hai Tong International Financial Solutions Limited.

(8) New China Asset Management (Hong Kong) Limited is owned as to 60.0% by New China Asset Management Company Limited, which is owned as to 99.4% by New China Life Insurance Company Limited (新華人壽保險股份有限公司) (stock code:1336.HK). Therefore each of New China Asset Management Company Limited and New China Life Insurance Company Limited (新華人壽保險股份有限公司) is deemed to be interested in the 53,859,000 H Shares held by New China Asset Management (Hong Kong) Limited.

(9) Investstar Limited is a wholly-owned subsidiary of Towngas Investment Company Limited (煤氣投資有限公司), which is wholly owned by The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司) (stock code: 0003.HK). Faxson Investment Limited owns 41.52% of The Hong Kong and China Gas Company Limited, and is a wholly-owned subsidiary of Henderson Land Development Company Limited. Henderson Land Development Company Limited is owned as to 72.7% by Henderson Development Limited. Therefore each of Towngas Investment Company Limited (煤氣投資有限公司), The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司), Faxson Investment Limited, Henderson Land Development Company Limited and Henderson Development Limited is deemed to be interested in the 53,859,000 H Shares held by Investstar Limited under the SFO.

(10) Hopkins (Cayman) Limited, as trustee of a unit trust (the "Unit Trust"), owns 100% of Henderson Development Limited. Rimmer (Cayman) Limited and Riddick (Cayman) Limited, as trustees of respective discretionary trusts, held units in the Unit Trust. Therefore each of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited is deemed to be interested in the 53,859,000 H Shares held by Investstar Limited under the SFO.

(11) Lee Shau Kee beneficially owns 100% of each of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Lee Shau Kee is taken to be interested in the H Shares interest of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited, i.e. the 53,859,000 H Shares held by Investstar Limited.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN SHAREHOLDING

(I) Changes in shareholding of current and resigned directors, supervisors and senior management during the Reporting Period

Not applicable.

(II) Share options granted to directors, supervisors and senior management during the Reporting Period

Not applicable.

II. INFORMATION TO BE DISCLOSED PURSUANT TO RULE 13.51B OF THE LISTING RULES

During the six months ended June 30, 2018, there is no change which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

To the best knowledge of the Directors, as at June 30, 2018, the interests or short positions of the Directors, Supervisors and the chief executives in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (c) pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name	Nature of interest	Class of shares	Number of shares held[(1)]	Approximate % of Interest in the Company[(2)]	Approximate % of the relevant class of shares[(2)]
Directors					
Mr. YANG Guoping (楊國平)[(3)(9)]	Beneficial owner	A Shares	2,097,861 (L)	0.07%	0.09%
Mr. LIANG Jiawei (梁嘉瑋)[(4)(9)]	Beneficial owner	A Shares	222,300 (L)	0.01%	0.01%
Ms. YU Min (俞敏)[(5)(9)]	Beneficial owner	A Shares	712,621 (L)	0.02%	0.03%
Mr. ZHUANG Jianhao (莊建浩)[(6)(9)]	Beneficial owner	A Shares	115,000 (L)	0.00%	0.00%
Mr. YANG Weibiao (楊衛標)[(7)(9)]	Beneficial owner	A Shares	54,000 (L)	0.00%	0.00%
Supervisor					
Mr. YANG Jicai (楊繼才)[(8)(9)]	Beneficial owner	A Shares	500,306 (L)	0.02%	0.02%

Notes:

(1) (L) — Long position

(2) As at June 30, 2018, the total number of issued shares of the Company was 2,952,434,675, including 2,418,791,675 A Shares and 533,643,000 H Shares.

(3) Mr. Yang Guoping (楊國平) holds 14,229,800 shares in Shanghai Dazhong Business Management Employee Share Ownership Committee* (上海大眾企業管理有限公司職工持股會) (the "Employee Share Ownership Committee"), representing 9.55% of the total number of shares of the Employee Share Ownership Committee.

(4) Mr. Liang Jiawei (梁嘉瑋) holds 112,100 shares in the Employee Share Ownership Committee, representing 0.07% of the total number of shares of the Employee Share Ownership Committee.

(5) Ms. Yu Min (俞敏) holds 949,000 shares in the Employee Share Ownership Committee, representing 0.63% of the total number of shares of the Employee Share Ownership Committee.

(6) Mr. Zhuang Jianhao (莊建浩) holds 50,000 shares in the Employee Share Ownership Committee, representing 0.03% of the total number of shares of the Employee Share Ownership Committee.

(7) Mr. Yang Weibiao (楊衛標) holds 164,000 shares in the Employee Share Ownership Committee, representing 0.11% of the total number of shares of the Employee Share Ownership Committee.

(8) Mr. Yang Jicai (楊繼才) holds 137,600 shares in the Employee Share Ownership Committee, representing 0.09% of the total number of shares of the Employee Share Ownership Committee.

(9) The Employee Share Ownership Committee is the beneficial owner of the 90% equity interests in Shanghai Dazhong Business Management and is deemed to be interested in 495,143,859 A Shares held by Shanghai Dazhong Business Management.

Saved as disclosed above, as at June 30, 2018, none of the Directors, Supervisors and the chief executives had other interests or short positions.

PARTICULARS OF CORPORATE BONDS

I. PROFILE OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bond	Abbreviation	Code	Date of issue	Due date	Balances of bonds	Interest rate (%)	Repayment of principal and interest	Trading place
2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd.	11 Hu Dazhong	122112	January 6, 2012	January 6, 2018	0	5.71	The interest of this bond is calculated annually, regardless of compound interest, and paid once every six months. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange
Public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (First Tranche)	18 Gongyong 01	143500	March 13, 2018	March 13, 2023	5	5.58	The interest of this bond is calculated annually, regardless of compound interest, and paid once every year. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange
Public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. Type 1 (Second Tranche)	18 Gongyong 03	143740	July 18, 2018	July 18, 2023	5.1	4.65	The interest of this bond is calculated annually, regardless of compound interest, and paid once every year. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange
Public issuance of 2018 corporate bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. Type 2 (Second Tranche)	18 Gongyong 04	143743	July 18, 2018	July 18, 2023	6.8	4.89	The interest of this bond is calculated annually, regardless of compound interest, and paid once every year. The principal will be returned upon maturity. The last interest will be paid together with the principal.	Shanghai Stock Exchange

PARTICULARS OF CORPORATE BONDS

Payment of interests of corporate bonds

The Company has paid the interests for the twelfth interest bearing period of the 2011 corporate bonds and the principal of the current bonds on January 8, 2018, which are delisted thereafter (for details please see announcement Lin 2017-058). The coupon rate of current bonds was 5.71%, and the interest bearing period was 184 days in total and the full interest bearing year (January 6, 2017 to January 5, 2018) was 365 days. The actual interest distributed for each board lot 11 Hu Dazhong with face value of RMB1,000 was RMB28.785 (tax inclusive) and principal of RMB1,000 was distributed. During the reporting period, the payment of principal and interest for current bonds was completed.

Other information on corporate bonds

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

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

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

PARTICULARS OF CORPORATE BONDS

II. CONTACT PERSON AND CONTACT DETAILS OF THE TRUSTEES IN CORPORATE BONDS AND CONTACT DETAILS OF THE CREDIT RATING AGENCY

Trustee	Name	Haitong Securities Co., Ltd.
	Office address	Level 15, TianYuanXiangTai Tower, No. 5 Anding Road, Chaoyang District, Beijing
	Contact person	Lu Xiaojing, Liu Lei
	Contact number	010-88027267
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Level 8, Anji Building, No.760 South Xizang Road, Shanghai

Other description:

Not applicable.

III. USE OF PROCEEDS FROM THE ISSUANCE OF CORPORATE BONDS

1. During the Reporting Period, the proceeds of RMB1.6 billion from the issuance of 2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. have been fully utilized, of which RMB1.1 billion was used to repay corporate debts and the remaining was used to supplement the working capital of the Company.

2. During the Reporting Period, Shanghai Dazhong Public Utilities (Group) Co., Ltd. received proceeds of RMB0.5 billion from the public issuance of the first tranche 2018 Corporate Bonds. RMB442 million was utilized according to the intended use of proceeds set out in the Prospectus in relation to the Public Issuance of the 2018 Corporate Bonds (the First Tranche), details of which are set out as follows:

   Details of Corporate Debts Repayment with the Proceeds Raised from Bond Issue (Abbreviation: 18 Gongyong 01):

Unit: 100 million Currency: RMB

Corporate Borrower	Financial Institution	Amount of Borrowing	Date of utilization	Amount of utilization	Commencement Date of Borrowing	Maturity Date of Borrowing	Note
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	Industrial and Commercial Bank of China Limited-Shanghai Yangpu Sub-branch	1.00	2018/4/23	1.00	2017/5/11	2018/5/11	Workding Capital Loan
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	Bank of China Limited-Shanghai Pudong Branch	1.50	2018/4/27	1.50	2017/6/8	2018/6/8	Workding Capital Loan
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	China Minsheng Banking Corp., Ltd.- Shanghai Branch	1.50	2018/5/15	1.50	2018/3/20	2018/9/20	Workding Capital Loan
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	China Construction Bank Corporation- Shanghai Luwan Sub-branch	0.42	2018/6/7	0.42	2017/7/3	2018/7/3	Workding Capital Loan
Total		4.42		4.42			Workding Capital Loan

IV. RATING OF CORPORATE BONDS

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

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

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

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

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

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

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

1. Formulating the Rules of Bondholders' Meeting

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

2. Engagement of the Bonds Trustee Manager

In accordance with the provisions of the Measures for the Trading and Administration of Corporate Bonds, the Company has engaged Haitong Securities as the bonds trustee manager of this tranche of bonds and entered into the Entrusted Bonds Management Agreement with Haitong Securities. During the term of this tranche of bonds, Haitong Securities shall protect the interests of the bondholders agreed in accordance with the Entrusted Bonds Management Agreement.

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

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

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

   After this bond issuing, the Company will further strengthen the management of asset and liability, liquidity management and the use of proceeds according to its debt structure, and prepare annual, monthly plan for use of proceeds according to the future maturity and payment demand of bond principal and interest to ensure that the funds are utilized as scheduled, capitals are fully and timely prepared to be used for payment of interests and principals when due every year, in order to fully protect the interests of the investors.

5. **Strict Disclosure of Information**

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

VI. MEETINGS OF CORPORATE BONDHOLDERS

Not Applicable.

VII. DUTY PERFORMANCE OF THE TRUSTEES OF THE CORPORATE BONDS

The trustee of 2011 Corporate Bonds of Shanghai Dazhong Public Utilities (Group) Co., Ltd. was Haitong Securities Co., Ltd. Haitong Securities has completely fulfilled the relevant obligations of the trustee with diligence during the reporting period.

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

PARTICULARS OF CORPORATE BONDS

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND LAST YEAR (OR FOR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR)

Unit: RMB Yuan

Key indicators	As at the end of the Reporting Period	As at the end of last year	Increase/decrease as at the end of the Reporting Period as compared to that as at the end of last year (%)	Reasons for the change
Current ratio (%)	72.11	79.75	-7.64	–
Quick ratio (%)	71.68	79.44	-7.76	–
Gearing ratio (%)	58.53	59.36	-0.83	–
Loan repayment ratio (%)	100	100	–	–

	The Reporting Period (from January to June)	The corresponding period of last year	Increase/decrease of the Reporting Period as compared to that of last year (%)	Reasons for the change
EBITDA interest coverage ratio	3.40	4.70	-27.66	–
Interest payment ratio (%)	100	100	–	–

IX. INFORMATION ON OVERDUE DEBT

Not applicable.

PARTICULARS OF CORPORATE BONDS

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

(1) On August 10, 2017, the Company completed the "issuance of the first tranche of the 2017 medium-term notes of Shanghai Dazhong Public Utilities (Group) Co., Ltd.*" (see the website of Chinamoney at www.chinamoney.com.cn or the website of Shanghai Clearing House at www.shclearing.com). Abbreviation: 17 Shanghai Dazhong MTN001. Code: 101764040. Issuance amount: RMB0.6 billion. Issuance period: 3 years. Interest-bearing method: interest under the issue shall be calculated annually on the basis of simple interest instead of compound interest. Interest payment will be made once each year and the principal amount will be repaid in a one-off payment upon maturity. The last interest payment shall be made together with the principal repayment. Issue price: face value of RMB100. Coupon rate: 4.88%. The value date: August 11, 2017. Date of payment: August 11, 2020.

(2) On August 15, 2017, the Company completed the "issuance of the first tranche of the 2017 short-term financing bills of Shanghai Dazhong Public Utilities (Group) Co., Ltd.*" (see the website of Chinamoney at www.chinamoney.com.cn or the website of Shanghai Clearing House at www.shclearing.com). Abbreviation: 17 Shanghai Dazhong CP001. Code: 041764018. Issuance amount: RMB0.5 billion. Issuance period: 365 days. Interest-bearing method: one-off payment of principal with interests. Issue price: face value of RMB100. Coupon rate: 4.63%. The value date: August 16, 2017. Date of payment: August 16, 2018.

(3) On August 17, 2017, the Company completed the issuance of the second tranche of the 2017 medium-term notes of Shanghai Dazhong Public Utilities (Group) Co., Ltd.*" (see the website of Chinamoney at www.chinamoney.com.cn or the website of Shanghai Clearing House at www.shclearing.com). Abbreviation: 17 Shanghai Dazhong MTN002. Code: 101764045. Issuance amount: RMB0.5 billion. Issuance period: 3 years. Interest-bearing method: Interest under the Issue shall be calculated annually on the basis of simple interest instead of compound interest. Interest payment will be made once each year and the principal amount will repaid in a one-off payment upon maturity. The last interest payment shall be made together with the principal repayment. Issue price: face value of RMB100. Coupon rate: 4.85%. The value date: August 18, 2017. Date of payment: August 18, 2020.

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

PARTICULARS OF CORPORATE BONDS

XI. BANK CREDITS OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company was granted with banking facilities (including foreign currency translation) totaling to RMB8,586,238,925.98 (opening amount for 2018: RMB8,389,758,471.91), of which RMB3,757,556,902.92 (opening amount for 2018: RMB3,835,895,304.17) had been utilized, and RMB4,828,682,023.06 (opening amount for 2018: RMB4,553,863,167.74) was unutilized as at June 30, 2018.

XII. PERFORMANCE OF COMMITMENTS AND UNDERTAKINGS BY THE COMPANY IN RESPECT OF CORPORATE BONDS ACCORDING TO THE PROSPECTUSES DURING THE REPORTING PERIOD

During the Reporting Period, the Company has performed the relevant commitment as set out in the Prospectus for issuing bonds.

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

Not applicable.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Note(i))
Revenue	4	**2,689,753**	2,480,420
Cost of sales		**(2,291,067)**	(2,035,448)
Gross profit		**398,686**	444,972
Other income and gains	5	**27,312**	15,126
Selling and distribution costs		**(87,938)**	(79,997)
Administrative expenses		**(166,323)**	(185,131)
Investment income and gains, net	7	**58,671**	75,218
Finance costs	8	**(148,246)**	(94,936)
Share of results of associates	16	**129,857**	173,051
Profit before income tax expense	10	**212,019**	348,303
Income tax expense	11	**(38,762)**	(56,842)
Profit for the period		**173,257**	291,461
Profit for the period attributable to:			
Owners of the Company		**126,065**	202,735
Non-controlling interests		**47,192**	88,726
		173,257	291,461
Earnings per share			
Basic and diluted	13	**RMB0.04**	RMB0.07

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** **RMB'000** **(Unaudited)**	 2017 RMB'000 (Unaudited) (Note(i))
Profit for the period		**173,257**	291,461
Other comprehensive income for the period (after reclassification adjustments), net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**(245,708)**	(81,094)
Change in fair value of financial assets at FVTOCI (recycling)	(ii)	**8,188**	(30,163)
Exchange differences on translating foreign operations		**2,872**	(6,906)
Items that will not be reclassified to profit or loss:			
Equity investments at FVTOCI –net movement of fair value (non-recycling)		**(15,019)**	–
Re-measurement gains on defined benefit obligations		**–**	1,754
Other comprehensive income for the period, net of tax		**(249,667)**	(116,409)
Total comprehensive income for the period		**(76,410)**	175,052
Total comprehensive income for the period attributable to:			
Owners of the Company		**(125,019)**	86,726
Non-controlling interests		**48,609**	88,326
		(76,410)	175,052

Notes:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 part of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	14	**4,712,512**	4,921,963
Investment properties		**61,652**	62,751
Payments for leasehold land held for own use under operating leases		**70,022**	71,084
Goodwill		**1,312**	1,312
Intangible assets	15	**876,669**	584,887
Investments in associates	16	**5,262,900**	5,501,551
Financial assets at fair value through profit or loss	23	**693,760**	–
Financial assets at fair value through other comprehensive income	23	**434,396**	–
Available-for-sale financial assets	17	**–**	893,244
Trade receivables	18	**149,445**	149,445
Lease receivables	19	**1,014,056**	729,022
Amount due from grantor	20	**562,345**	581,670
Prepayment for acquisition of investments	35	**738,316**	1,865
Deferred tax assets	21	**36,668**	32,406
Total non-current assets		**14,614,053**	13,531,200
Current assets			
Inventories		**30,529**	26,735
Amount due from an associate	16	**338,796**	318,996
Trade and bills receivables	18	**301,314**	306,649
Lease receivables	19	**841,424**	620,231
Loan receivables	22	**–**	137,507
Prepayments and other receivables		**163,186**	93,826
Amount due from grantor	20	**37,675**	36,698
Financial assets at fair value through profit or loss	23	**843,125**	21,178
Available-for-sale financial assets	17	**–**	175,000
Pledged deposits	24	**18,660**	219,473
Cash and cash equivalents	24	**2,595,514**	4,912,508
Total current assets		**5,170,223**	6,868,801
Current liabilities			
Borrowings	25	**2,624,233**	3,008,013
Corporate bonds and short-term bonds payable	26	**1,036,099**	2,609,653
Trade payables	27	**902,781**	1,263,609
Other payables	28	**1,679,827**	836,597
Deferred income	29	**208,331**	212,693
Amounts due to customers for contract work	30	**–**	641,345
Contract liabilities	30	**685,907**	–
Employee defined benefits		**1,977**	1,977
Current tax liabilities		**31,088**	39,279
Total current liabilities		**7,170,243**	8,613,166
Net current liabilities		**(2,000,020)**	(1,744,365)
Total assets less current liabilities		**12,614,033**	11,786,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000 (Note)
Non-current liabilities			
Borrowings	25	**1,133,324**	827,882
Corporate bonds and medium-term bonds payable	26	**1,592,284**	1,092,799
Other payables	28	**393,176**	343,148
Deferred income	29	**1,105,965**	1,117,635
Employee defined benefits		**34,723**	34,738
Provision for restoration		**37,961**	32,560
Deferred tax liabilities	21	**111,916**	34,792
Total non-current liabilities		**4,409,349**	3,483,554
Net assets		**8,204,684**	8,303,281
Equity			
Share capital	31	**2,952,435**	2,952,435
Reserves		**4,057,500**	4,232,142
		7,009,935	7,184,577
Non-controlling interests		**1,194,749**	1,118,704
Total equity		**8,204,684**	8,303,281

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Equity attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
1 January 2017	2,902,705	1,031,187	733,373	5,214	214,881	1,178,517	997,168	7,063,045	1,131,377	8,194,422
Profit for the period	–	–	–	–	–	–	202,735	202,735	88,726	291,461
Other comprehensive income for the period:										
Share of other comprehensive income of associates	–	–	–	–	–	(81,094)	–	(81,094)	–	(81,094)
Change in fair value of available-for-sale financial assets	–	–	–	–	(28,886)	–	–	(28,886)	(1,277)	(30,163)
Exchange differences on translating foreign operations	–	–	–	(5,214)	–	(1,692)	–	(6,906)	–	(6,906)
Re-measurement gains on defined benefit obligations	–	–	–	–	–	877	–	877	877	1,754
Total comprehensive income for the period	–	–	–	(5,214)	(28,886)	(81,909)	202,735	86,726	88,326	175,052
Issue of H-shares (note 31(i))	49,730	102,793	–	–	–	–	–	152,523	–	152,523
2016 final dividend paid (note 12)	–	–	–	–	–	–	(177,146)	(177,146)	–	(177,146)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(35,251)	(35,251)
Acquisition of equity interests of non-controlling interests	–	4,035	–	–	–	–	–	4,035	(79,035)	(75,000)
Others	–	(43,544)	–	–	–	–	–	(43,544)	–	(43,544)
At 30 June 2017	2,952,435	1,094,471	733,373	–	185,995	1,096,608	1,022,757	7,085,639	1,105,417	8,191,056

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Equity attributable to owners of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Investment revaluation reserve (recycling) RMB'000	Investment revaluation reserve (non-recycling) RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017	2,952,435	1,138,015	800,268	3,671	30,285	–	1,032,791	1,227,112	7,184,577	1,118,704	8,303,281
Impact on initial application of IFRS 9	–	–	474	–	(31,793)	31,793	–	127,135	127,609	106,675	234,284
At 1 January 2018	2,952,435	1,138,015	800,742	3,671	(1,508)	31,793	1,032,791	1,354,247	7,312,186	1,225,379	8,537,565
Profit for the period	–	–	–	–	–	–	–	126,065	126,065	47,192	173,257
Other comprehensive income for the period:											
Share of other comprehensive income of associates	–	–	–	–	–	–	(245,708)	–	(245,708)	–	(245,708)
Change in fair value of financial assets	–	–	–	–	7,211	(15,019)	–	–	(7,808)	1,418	(6,390)
Recycle of change in fair value of financial assets to profit or loss	–	–	–	–	(441)	–	–	–	(441)	–	(441)
Exchange differences on translating foreign operations	–	–	–	2,872	–	–	–	–	2,872	–	2,872
Total comprehensive income for the period	–	–	–	2,872	6,770	(15,019)	(245,708)	126,065	(125,020)	48,610	(76,410)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	50,000	50,000
2017 final dividend distributed (note 12)	–	–	–	–	–	–	–	(177,146)	(177,146)	–	(177,146)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(25,600)	(25,600)
Transfer to statutory reserve	–	–	3,241	–	–	–	–	(3,241)	–	–	–
Disposal of a non-wholly-owned subsidiary	–	–	(4,131)	–	–	–	–	4,131	–	(103,639)	(103,639)
Others	–	–	–	–	–	–	(292)	207	(85)	(1)	(86)
At 30 June 2018 (unaudited)	2,952,435	1,138,015	799,852	6,543	5,262	16,774	786,791	1,304,263	7,009,935	1,194,749	8,204,684

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Note)
Profit before income tax expense	**212,019**	348,303
Adjustments for:		
Finance costs	**148,246**	94,936
Share of results of associates	**(129,857)**	(173,051)
Amortisation on payments for leasehold land held for own use under operating leases	**1,062**	1,022
Amortisation on intangible assets	**20,855**	9,698
Depreciation of property, plant and equipment	**177,583**	166,676
Depreciation of investment properties	**1,099**	1,099
Impairment loss on trade receivables	**485**	666
Recovery of impairment loss on loan receivables	**(23,323)**	(571)
Impairment loss on lease receivables	**15,656**	–
Impairment loss on prepayments and other receivables	**340**	105
Loss on disposal of property, plant and equipment	**291**	8,040
Recovery of impairment loss on inventories	**(189)**	–
Loss on disposal of a subsidiary	**1,139**	–
(Gain)/loss on disposal of financial assets at fair value through profit or loss — held for trading	**(12,945)**	8,125
Gain on disposal of government bonds	**(4,494)**	(2,552)
Changes in fair value of financial assets at fair value through profit or loss	**4,956**	(10,773)
Dividend income	**(47,239)**	(66,476)
Other financial income	**(88)**	(3,542)
Exchange gain	**(11,899)**	37,045
Financial income from wastewater treatment income	**(7,639)**	(15,830)
Financial income from public infrastructure projects	**(16,696)**	(18,319)
Bank interest income	**(11,407)**	(13,229)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Note)
Cash flows generated from operating activities		
Operating profit before working capital changes	**317,955**	371,372
Increase in inventories	**(3,605)**	(4,858)
Decrease in trade and bills receivables	**4,850**	36,388
Increase in prepayments and other receivables	**(68,303)**	(124,926)
Decrease in trade and bills payables	**(360,828)**	(12,359)
Increase in other payables	**183,915**	208,576
Decrease in deferred income	**(16,032)**	(2,935)
Increase/(decrease) in amounts due to customers for contract work/ contrast liabilities	**44,562**	(4,183)
Cash generated from operations	**102,514**	467,075
Bank interest income	**11,407**	13,229
Income taxes paid	**(49,395)**	(34,822)
Net cash flows generated from operating activities	**64,526**	445,482
Cash flows from investing activities		
Proceeds from disposals of investments and financial assets	**571,734**	140,442
Net (payment)/receipt in lease receivables	**(521,883)**	72,086
Net receipt in loan receivables	**42,333**	42,585
Increase in pledged deposit	**–**	(263,621)
Proceeds from return on investment and financial assets	**–**	118,937
Proceeds from disposals of property, plant and equipment, intangible assets and long-term investments	**6,895**	1
Proceeds from repayment of amount due from grantor	**18,348**	17,423
Payment for wastewater treatment tender	**–**	(56)
Acquisition of property, plant and equipment and payments for leasehold land held for own use under operating leases	**(278,466)**	(266,354)
Acquisition of intangible assets	**–**	(92)
Net proceeds from disposal of a subsidiary	**100,447**	–
Loan to an associate	**(19,800)**	–
Payments for acquisition of new investments	**(988,488)**	(1,369,763)
Prepayment for acquisition of investments	**(738,042)**	–
Net cash flows used in investing activities	**(1,806,922)**	(1,508,412)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Note)
Cash flows from financing activities		
Acquisition of new bank borrowings	**2,550,666**	2,341,453
Proceeds from issue of 2018 corporate bonds	**500,000**	–
Receipt of refund of pledged deposits for bank borrowings	**209,010**	–
Repayment of bank borrowings	**(3,809,207)**	(1,549,665)
Payments of interest expenses	**(89,453)**	(86,499)
Net proceeds from the issue of new H-shares	**–**	160,294
Net proceeds from the issue of short-term bonds payable	**–**	500,000
Repayment of short-term bonds	**–**	(300,000)
Dividends paid to non-controlling interests	**(25,600)**	(35,251)
Capital injection from non-controlling interests	**50,000**	–
Acquisition of equity shares of non-controlling interests	**–**	(79,035)
Payments of financial charges	**(4,397)**	–
Net cash flows (used in)/generated from financing activities	**(618,981)**	951,297
Net decrease in cash and cash equivalents	**(2,361,377)**	(111,633)
Exchange differences on translating cash flows of foreign operations	**44,383**	(51,046)
Cash and cash equivalents at beginning of period	**4,912,508**	3,258,733
Cash and cash equivalents at end of period	**2,595,514**	3,096,054

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

Shanghai Dazhong Public Utilities (Group) Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 1 January 1992 as a joint stock limited liability company. On 4 March 1993, the Company was listed on the Shanghai Stock Exchange. Its registered office and the principal place of business activities is located at No. 518, Shang Cheng Road, Pudong New District, Shanghai, the PRC and 1515 Zhongshan Road West, Shanghai, the PRC respectively.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 5 December 2016.

The Company is principally engaged in investment holding. The principal business activities of its subsidiaries (together with the Company, the "Group") included piped gas supply, wastewater treatment, public infrastructure projects and financial services.

The unaudited condensed consolidated interim financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

The unaudited condensed consolidated interim financial statements have been prepared by the directors of the Company solely for the purpose of the listing of the H shares of the Company on the Main Board of the SEHK. As a result, the unaudited condensed consolidated interim financial statements may not be suitable for another purpose.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The SEHK (the "Listing Rules").

The accounting policies adopted for the preparation of the unaudited condensed consolidated interim financial statements are consistent with those set out in the Group's consolidated annual financial statements for the year ended 31 December 2017, except for adoption of new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB which are effective to the Group for accounting periods beginning on or after 1 January 2018. The adoption of the new and revised IFRSs has some impact on the Group's results and financial position for the current or prior periods.

Details of the changes in accounting policies due to the adoption of new and revised IFRSs are set out in note 2(a) to 2(c).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Company. It was authorised for issue on 31 August 2018.

The Group had net current liabilities of approximately RMB2,000,020,000 as at 30 June 2018. The Group meets its day-to-day work capital requirements through its bank borrowings. Its forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current banking facilities. The directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and therefore are of the view that it is appropriate to adopt the going concern basis in preparing the unaudited condensed consolidated financial statements. Further information on the Group's bank borrowings is set out in note 25.

Changes in accounting policies

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period. Of these, the following development is relevant to the Group's financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(a) Overview (Continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and/or IFRS 15:

	At 31 December 2017	Impact on initial application of IFRS 9 (Note 2(b))	Impact on initial application of IFRS 15 (Note 2(c))	At 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Lease receivables	729,022	(7,207)	–	721,815
Deferred tax assets	32,406	3,311	–	35,717
Financial assets measured at FVTOCI (recycling)	–	4,414	–	4,414
Financial assets measured at FVTOCI (non-recycling)	–	121,698	–	121,698
Available-for-sale financial assets	893,244	(893,244)	–	–
Change in non-current assets	1,654,672	(771,028)	–	883,644
Lease receivables	620,231	(6,035)	–	614,196
Amortized cost: capital guaranteed financial products with fixed-income	–	113,000	–	113,000
Financial assets at FVTPL	21,178	1,147,423	–	1,168,601
Financial assets measured at FVTOCI(recycling)	–	7,329	–	7,329
Available-for-sale financial assets	175,000	(175,000)	–	–
Change in current assets	816,409	1,086,717	–	1,903,126
Amount due to customers for contact work	641,345	–	(641,345)	–
Contract liabilities	–	–	641,345	641,345
Change in current liabilities	641,345	–	–	641,345
Deferred tax liabilities	(34,792)	81,405	–	46,613
Change in non-current liabilities	(34,792)	81,405	–	46,613
Statutory reserve	800,268	474	–	800,742
Investment revaluation reserve(recycling)	30,285	(31,793)	–	(1,508)
Investment revaluation reserve (non-recycling)	–	31,793	–	31,793
Retained earnings	1,227,112	127,135	–	1,354,247
Non-controlling interests	1,118,704	106,675	–	1,225,379
Change in equity	3,176,369	234,284	–	3,410,653

Further details of these changes are set out in sub-sections (b) and (c) of this note.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

Retained earnings	RMB'000
Recognition of fair value gain arising from transfer of available-for-sale financial assets to financial assets currently measured at FVTPL	325,620
Recognition of additional expected credit losses on financial assets measured at amortised cost	(13,242)
Related deferred tax	(78,094)
Non-controlling interests	(106,675)
Statutory reserve	(474)
Net increase in retained earnings at 1 January 2018	127,135
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVTOCI at 1 January 2018	(31,793)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVTOCI at 1 January 2018	31,793
Statutory reserve	
Increase of statutory reserve on net fair value gain arising on transfer from available-for-sale financial assets to financial assets currently measured at FVTPL	474
Non-controlling interests	
Share of additional expected credit losses on financial assets measured at amortised cost at 1 January 2018	(1,986)
Share of fair value gain arising from transfer of available-for-sale financial assets to financial assets measured at FVTPL	108,661
Increase of non-controlling interests as at 1 January 2018	106,675

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

	IAS 39 carrying amount at 31 December 2017	Reclassification	Re-measurement	IFRS 9 carrying amount at 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets carried at amortised cost				
Lease receivables (note (i))	1,349,253	–	(13,242)	1,336,011
Investment-linked deposits with fixed-income	–	113,000	–	113,000
Financial assets measured at FVTOCI (non-recyclable)				
Equity securities (note (ii))	–	121,698	–	121,698
Financial assets measured at FVTOCI (recycling)				
Debt investment	–	11,743	–	11,743
Financial assets carried at FVTPL				
Equity securities not held for trading (note (ii)(iii))	–	759,803	325,620	1,085,423
Trading securities (note (iv))	19,440	–	–	19,440
Investment-linked deposits with variable-income	–	62,000	–	62,000
Investment in debt securities (note (iii))	1,738	–	–	1,738
Financial assets classified as available-for-sale under IAS 39 (notes (ii),(iii))				
Listed debt investments	11,743	(11,743)	–	–
Listed equity investments	121,698	(121,698)	–	–
Unlisted equity investments	759,803	(759,803)	–	–
Investment-linked deposits	175,000	(175,000)	–	–

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Notes:

(i) Due to the initial application of IFRS 9, the expected loss of lease receivable RMB13,242,000 was deducted from the carrying amount of lease receivable as at 1 January 2018.

(ii) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as FVTPL under IFRS 9, unless they are eligible for and designated as FVTOCI by the Group. At 1 January 2018, the Group designated certain investments as FVTOCI (non-recycling), as the investments are held for the strategy of long term holding.

(iii) Under IAS 39, investment in bonds and funds were classified as available-for-sale financial assets. They are classified as FVTPL under IFRS 9.

(iv) Trading securities were classified as financial assets as FVTPL under IAS 39. These assets continue to be measured at FVTPL under IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9. The Group did not designate or de-designate any financial liability at FVTPL at 1 January 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– contract assets as defined in IFRS 15 (see note 2(c));

– debt securities measured at FVTOCI (recycling);

– lease receivables;

– financial guarantee contracts issued (see note 2(b)(i)); and

– loan commitments issued, which are not measured at FVTPL45.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, equity securities designated at FVTOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies. Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(ii) Credit losses (Continued)

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to approximately RMB13,242,000, which was offset by deferred tax of approximately RMB3,311,000 and share by non-controlling interest of RMB1,986,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	Loss allowance
	RMB'000
As at 31 December 2017, under IAS 39	14,952
Additional credit loss recognised at 1 January 2018 on:	
– Lease receivables	13,242
As at 1 January 2018, under IFRS 9	28,194

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9 (Continued)

(iii) Transition

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

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

– The determination of the business model within which a financial asset is held;

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

– The designation of certain investments in equity investments not held for trading as at FVOCI.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(c) IFRS 15, Revenue from contracts with customers (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(c) IFRS 15, Revenue from contracts with customers (Continued)

(i) Timing of revenue recognition (Continued)

The adoption of IFRS 15 does not have a significant impact on recognized revenue from construction contracts.

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not have payments received in advance.

(iii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group used to adopt this policy in prior periods. As at 1 January 2018, the amounts due to customers for contract work was renamed as contract liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3. SEGMENT INFORMATION

The Group determines its operating segment based on the reports reviewed by the Group's chief operating decision maker, which are the Company's executive directors that are used to make strategic decisions.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Piped gas supply;
- Wastewater treatment;
- Public infrastructure projects;
- Investments;
- Transportation services; and
- Financial services.

3. SEGMENT INFORMATION (Continued)

(a) Business segment

For the six months ended 30 June 2018 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infra-structure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Revenue from external customers	2,484,120	126,223	24,083	–	–	55,327	2,689,753
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	2,484,120	126,223	24,083	–	–	55,327	2,689,753
Reportable segment profit	127,632	41,559	9,777	108,078	74,729	13,213	374,988
Unallocated income/(expenses), net							(74,004)
Unallocated interest income							3,196
Unallocated interest expenses							(92,161)
Profit before income tax expense							212,019
Income tax expense							(38,762)
Profit for the period							173,257
Reportable segment assets	5,879,811	1,371,647	666,788	5,436,947	2,487,845	2,061,343	17,904,381
Unallocated cash and cash equivalents							1,730,207
Corporate assets*							149,688
Total assets							19,784,276
Reportable segment liabilities	3,166,951	724,377	342,843	321,943	–	265,802	4,821,916
Unallocated borrowings							3,757,557
Corporate bonds, medium term and short-term bonds payable							2,628,383
Corporate liabilities#							371,736
Total liabilities							11,579,592

* Corporate assets consisted of property, plant and equipment, investment property, payments for leasehold land held for own use under operating leases, goodwill, intangible assets, deferred tax and prepaid other taxes and prepayments and other receivables for the amounts approximately RMB82.3 million, RMB40.3 million, RMB3.3 million, RMB1.3 million, RMB9.5 million, RMB10.9 million and RMB0.7 million respectively.

Other unallocated corporate liabilities consisted of other payables, salary payables, dividend and interest payable and others and deferred tax liabilities for the amounts approximately RMB3.8 million, RMB2.8 million, RMB282.5 million and RMB82.6 million respectively.

3. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

For the six months ended 30 June 2018 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infra-structure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Other segment information:							
Share of results of associates	9,211	–	–	45,917	74,729	–	129,857
Interest income	2,115	147	255	3,814	–	1,880	8,211
Interest expenses	6,939	11,923	6,774	2,745	–	27,704	56,085
Investment income and gains, net	–	–	–	58,671	–	–	58,671
Amortisation	822	19,681	–	–	–	–	20,503
Depreciation	173,956	1,523	1	–	–	–	175,480
Impairment loss on trade receivables	14	324	146	–	–	–	484
Written back of impairment loss on loan receivables	–	–	–	–	–	(23,323)	(23,323)
(Written back of impairment loss)/ Impairment loss on prepayments and other receivables	156	(8)	(3)	(4)	–	–	141
Impairment loss on lease receivables	–	–	–	–	–	15,656	15,656
Recovery of impairment loss on inventories	(189)	–	–	–	–	–	(189)
Investments in associates	400,932	–	–	–	2,374,123	2,487,845	5,262,900
Additional to non-current assets	179,527	3,445	–	–	–	–	182,972

3. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

For the six months ended 30 June 2017 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infra-structure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Revenue from external customers	2,325,918	80,562	25,678	–	–	48,262	2,480,420
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	2,325,918	80,562	25,678	–	–	48,262	2,480,420
Reportable segment profit	159,767	23,042	11,395	154,091	70,728	32,260	451,283
Unallocated income/(expenses), net							(46,103)
Unallocated interest income							9,060
Unallocated interest expenses							(65,937)
Profit before income tax expense							348,303
Income tax expense							(56,842)
Profit for the period							291,461
Reportable segment assets	5,702,326	1,110,200	744,970	4,395,296	2,487,818	1,590,514	16,031,124
Unallocated cash and cash equivalents							1,813,946
Corporate assets*							202,632
Total assets							18,047,702
Reportable segment liabilities	4,098,425	191,841	221,889	434,796	–	808,157	5,755,108
Unallocated borrowings							1,529,300
Corporate bonds and short-term bonds payable							2,105,081
Corporate liabilities#							467,157
Total liabilities							9,856,646

* Corporate assets consisted of property, plant and equipment, investment property, payments for leasehold land held for own use under operating leases, goodwill, intangible assets and prepayments and other receivables for the amounts approximately RMB50.1 million, RMB63.8 million, RMB7.5 million, RMB1.3 million, RMB0.3 million and RMB77.0 million respectively.

Other unallocated corporate liabilities consisted of other payables, salary payables, dividend and interest payable, and deferred tax liabilities for the amounts approximately RMB183.7 million, RMB11.2 million, RMB221.2 million and RMB51.1 million respectively.

3. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

For the six months ended 30 June 2017 (Unaudited)	Piped gas supply RMB'000	Wastewater treatment RMB'000	Public Infra-structure projects RMB'000	Investments RMB'000	Transportation services RMB'000	Financial services RMB'000	Segment total RMB'000
Other segment information:							
Share of results of associates	10,809	1,761	–	89,753	70,728	–	173,051
Interest income	2,759	302	375	401	–	332	4,169
Interest expenses	7,347	1,736	3,929	5,882	–	10,105	28,999
Investment income and gains, net	–	–	–	75,218	–	–	75,218
Amortisation	970	9,584	–	–	–	41	10,595
Depreciation	164,024	1,391	–	–	–	335	165,750
Impairment loss on trade receivables	549	(30)	147	–	–	–	666
Written back of impairment loss on loan receivables	–	–	–	–	–	(571)	(571)
(Written back of impairment loss)/ Impairment loss on prepayments and other receivables	122	79	9	–	–	(4)	206
Loss on disposal of property, plant and equipment	8,040	–	–	–	–	–	8,040
Investments in associates	394,011	31,820	–	2,253,867	2,487,818	–	5,167,516
Additional to non-current assets	183,695	68,930	8	–	–	28	252,661

(b) Geographic information

Geographical information is not presented since all of the Group's revenue from external customers is generated in the PRC. The non-current asset information is based on the location of the assets and excludes financial instruments and deferred tax assets. Nearly all of the non-current assets of the Group are located in the PRC, which is the Company's country of domicile.

(c) Information about major customers

The Group has a number of customers and there is no significant revenue derived from specific external customers during the six months ended 30 June 2018 (2017: nil).

4. REVENUE

Revenue represents the net invoiced value of goods sold, after discounts and returns; the value of services rendered; an appropriate proportion of contract revenue of construction contracts; and interest income earned from provision of finance during the six months ended 30 June 2018.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Piped gas supply:		
Sale of gas fuel	**2,285,058**	2,075,354
Gas pipeline construction income	**63,874**	106,828
Gas connection income (note 29)	**110,800**	111,498
Sale of related products	**24,388**	32,238
Wastewater treatment:		
Operations income	**118,584**	64,732
Financial income	**7,639**	15,830
Public infrastructure projects:		
Operations income	**7,387**	7,359
Financial income	**16,696**	18,319
Financial services:		
Interest income and related revenue	**1,323**	10,083
Financial leasing related income	**54,004**	38,179
	2,689,753	2,480,420

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**11,407**	13,229
Government grants	**540**	3,707
Loss on disposal of property, plant and equipment	**(291)**	(8,040)
Rental income	**2,724**	5,582
Others	**12,932**	648
	27,312	15,126

6. DISPOSAL OF A SUBSIDIARY

In 2018, the Company and Dazhong Transportation Co. Ltd. (大眾(交通)集團股份有限公司) entered into the Shanghai Equity Transaction Contract to transfer the entire 50% equity interest of Shanghai Minhang Micro-credit Co., Ltd.* (上海閔行小額貸款股份有限公司)("Minhang Micro-credit") held by the Group at the consideration of RMB102.5 million.

The fair value of identifiable assets and liabilities of the acquiree as at the date of disposal were:

	RMB'000	RMB'000
Property, plant and equipment	561	
Financial assets at fair value through profit or loss	84,104	
Loan receivables	118,497	
Deferred tax assets	5,439	
Cash and cash equivalents	2,053	
Other current assets	577	
Other current liabilities	(3,953)	
Non-controlling interest	(103,639)	
		103,639
Total consideration		(102,500)
Loss on disposal of a subsidiary		1,139
Cash flow:		
Cash consideration received		102,500
Cash and cash equivalents disposal of		(2,053)
Net proceeds from disposal of a subsidiary		100,447

The fair value of loan receivables amounted to approximately RMB118,497,000. In the opinion of the directors, no receivable is expected to be uncollectible.

7. INVESTMENT INCOME AND GAINS, NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain/(loss) on disposal of financial assets, net:		
— Financial assets at fair value through profit or loss	**12,945**	(8,125)
— Government bonds	**4,494**	2,552
Loss on disposal of a subsidiary (Note 6)	**(1,139)**	–
	16,300	(5,573)
Change in fair value of financial assets at fair value through profit or loss	**(4,956)**	10,773
Dividend income	**47,239**	66,476
Other financial income	**88**	3,542
	58,671	75,218

8. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and corporate bonds	**149,628**	95,060
Less: Amounts capitalised (note)	**(1,382)**	(124)
	148,246	94,936

Note: Borrowing costs capitalised during the period arose on the general borrowing pool and was calculated by applying a capitalisation rate of 4.90% for expenditure on qualifying assets in the current period.

9. EMPLOYEE COMPENSATION COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wage, salaries and allowances	**144,427**	141,034
Retirement benefit scheme contribution	**45,342**	44,150
Other benefits	**33,335**	27,349
	223,104	212,533

10. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Inventories recognised as expense	**1,871,526**	1,869,273
Amortisation on payments for leasehold land held for own use under operating leases	**1,062**	1,022
Amortisation on intangible assets (included in administrative expenses and cost of sales)	**20,855**	9,698
Depreciation of property, plant and equipment	**177,583**	166,676
Depreciation of investment properties	**1,099**	1,099
Impairment loss on trade receivables	**485**	666
Impairment loss on lease receivables	**15,656**	–
Written back of impairment loss on loan receivables	**(23,323)**	(571)
Impairment loss on prepayments and other receivables	**340**	105
Recovery of impairment loss on inventories	**(189)**	–
Operating lease rental expenses in respect of buildings	**4,891**	4,091

11. INCOME TAX EXPENSE

The amount of income tax expense in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC enterprise income tax		
— tax for the period	**44,759**	60,650
— under-provision in respect of prior periods	**141**	1,133
Hong Kong profits tax		
— tax for the period	**–**	–
Deferred tax (note 21)	**(6,138)**	(4,941)
Income tax expense	**38,762**	56,842

Profits of subsidiaries established in the PRC are subject to PRC enterprise income tax based on the statutory rate of 25% during the six months ended 30 June 2018 and 2017.

Profits of subsidiaries established in Hong Kong are subject to Hong Kong Profits tax at the statutory rate of 16.5% during the six months ended 30 June 2018 and 2017.

11. INCOME TAX EXPENSE (Continued)

The income tax expense can be reconciled to the profit before income tax expense per the unaudited condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax expense	**212,019**	348,303
Tax calculated at the PRC statutory rate of 25%	**53,005**	87,076
Effect of non-taxable income	**(6,641)**	(11,592)
Effect of non-deductible expenses	**1,059**	31,490
Tax effect of share of results of associates	**(29,167)**	(43,263)
Utilisation of tax losses previously not recognised	**(310)**	(2,249)
Tax effect of tax losses not recognized	**25,557**	–
Tax effect on changes on fair value of financial assets, impairment loss on assets and timing difference on employee benefits	**373**	(3,598)
Effect of tax exemptions granted to a subsidiary (note)	**(3,078)**	(2,155)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,177)**	–
Under-provision in respect of prior periods	**141**	1,133
Income tax expense	**38,762**	56,842

Notes:

1. The Ministry of Finance and the State Administration of Taxation promulgated the "Notice on Printing and Distributing the Catalogue of VAT Concessions for Comprehensive Utilization of Resources and Labor Services" (Cai Shui [2015] No. 78). Since 1 July 2015, the wastewater treatment industry has enjoyed the tax rebate. The tax is levied but Tax refund policy applicable. The subsidiary Jiangsu Dazhong and some of its subsidiaries enjoy the VAT refund policy, and the tax rebate rate is 70%.

2. According to Article 27(2) and (3) of the relevant Enterprise Income Tax Law in China, Xuzhou Jiawang Public Water Operation Co., Ltd. is engaged in the sewage treatment of Xuzhou Jiawang Phase II Project and has been approved by the State Taxation Bureau for 100% tax exemption of Enterprise Income Tax for the period from June 2017 to May 2020 and reduction by 50% of the Enterprise Income Tax for the period from June 2020 to May 2023.

3. According to Article 27(2) and (3) of the relevant Chinese Enterprise Income Tax Law, the second phase sewage treatment project of Pizhou Fountainhead Water Operation Co., Ltd has been approved by the State Taxation Bureau for 100% tax exemption of Enterprise Income Tax for the period from August 2016 to July 2019 and 50% tax reduction from 20 August 2022 to July 2022.

4. According to Article 27(2) and (3) of the relevant Chinese Enterprise Income Tax Law, the third phase sewage treatment project of Shanghai Dazhong Jiading Sewage Co., Ltd has been approved by the State Taxation Bureau for 100% tax exemption of Enterprise Income Tax for the period from 2016 to 2018 and 50% tax reduction from 2019 to 2021.

12. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend	**–**	–

For the six months ended 30 June 2018 and 2017, there is no proposed or declared dividend. The unaudited condensed consolidated statement of changes in equity on page 71 to page 72 presents the declared but unpaid dividend RMB177,146,000 for the year 2017, representing RMB0.06 per ordinary share.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Earnings		
Profit for the purposes of basic and diluted earnings per share (RMB'000)	**126,065**	202,735
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,952,434,675**	2,949,961,913

In 2017, weighted average number of ordinary shares for the purposes of basic earnings per share has been adjusted for the over-allotment (as described in note 31).

The diluted earnings per share is equal to the basic earnings per share because the Company had no dilutive potential shares outstanding for all periods presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Gas pipelines and machinery	Equipment, furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2017	153,922	15,980	60,811	6,568,829	50,567	536,263	7,386,372
Additions	282	69	1,343	1,775	866	669,262	673,597
Acquired through business combination	–	707	123	–	–	10,599	11,429
Transfer of construction in progress	3,815	–	5,143	416,264	7,559	(432,781)	–
Disposals	(1,800)	(4,029)	(3,945)	(24,339)	(9,976)	–	(44,089)
At 31 December 2017 and 1 January 2018	156,219	12,727	63,475	6,962,529	49,016	783,343	8,027,309
Additions	274	4,330	176	2,227	1,040	270,419	278,466
Transfer of construction in progress	–	–	599	177,157	444	(178,200)	–
Transfer of construction in progress to intangible asset	–	–	–	–	–	(309,192)	(309,192)
Disposal of a subsidiary	–	(2,536)	–	–	(434)	–	(2,970)
Written off	–	–	(1,760)	(5,978)	(2,519)	–	(10,257)
At 30 June 2018	156,493	14,521	62,490	7,135,935	47,547	566,370	7,983,356
Accumulated depreciation and impairment							
At 1 January 2017	66,050	11,212	24,968	2,659,426	34,256	–	2,795,912
Charge for the year	4,955	2,036	5,634	321,885	5,471	–	339,981
Written back on disposals	(1,050)	(4,029)	(3,138)	(12,774)	(9,556)	–	(30,547)
At 31 December 2017 and 1 January 2018	69,955	9,219	27,464	2,968,537	30,171	–	3,105,346
Charge for the period	2,500	1,429	2,940	166,038	4,676	–	177,583
Disposal of a subsidiary	–	(2,071)	–	–	(338)	–	(2,409)
Written off	–	–	(1,628)	(5,633)	(2,415)	–	(9,676)
At 30 June 2018	72,455	8,577	28,776	3,128,942	32,094	–	3,270,844
Net book value							
At 31 December 2017 (Audited)	86,264	3,508	36,011	3,993,992	18,845	783,343	4,921,963
At 30 June 2018 (Unaudited)	84,038	5,944	33,714	4,006,993	15,453	566,370	4,712,512

15. INTANGIBLE ASSETS

	Wastewater treatment concession rights RMB'000 (note)	Computer software RMB'000	Technical knowhow RMB'000	Total RMB'000
Cost				
At 1 January 2017	433,306	10,590	5,646	449,542
Acquired through business combination	60,951	–	–	60,951
Additions	181,452	6,393	–	187,845
At 31 December 2017 and 1 January 2018	675,709	16,983	5,646	698,338
Additions	–	3,445	–	3,445
Transfer of construction in progress	309,192	–	–	309,192
At 30 June 2018	984,901	20,428	5,646	1,010,975
Accumulated amortisation and impairment				
At 1 January 2017	76,717	5,683	5,646	88,046
Charge for the year	23,702	1,703	–	25,405
At 31 December 2017 and 1 January 2018	100,419	7,386	5,646	113,451
Charge for the period	19,868	987	–	20,855
At 30 June 2018	120,287	8,373	5,646	134,306
Net book value				
At 31 December 2017 (Audited)	575,290	9,597	–	584,887
At 30 June 2018 (Unaudited)	864,614	12,055	–	876,669

15. INTANGIBLE ASSETS (Continued)

In July 2017, due to acquisition of two subsidiaries, a carrying amount of approximately RMB60,951,000 of the Construction falling into the definition of IFRIC 12 "Service Concession Arrangements" for the year ended 31 December 2017 were transferred from property, plant and equipment to intangible assets accordingly.

As at 30 June 2018 and 31 December 2017, the Group has pledged the receivables from the concession rights for the bank loans in note 25.

Note:

The Group's service concession arrangements are concession arrangements for wastewater treatment plants with various local government authorities in the PRC under IFRIC 12 "Service Concession Arrangements". The concession rights arose from six wastewater treatment plants located in different cities in the PRC, namely Jiading, Sanbahe, Jiawang, Peixian, Pizhou and Lianyungang. Except for the wastewater plant in Pizhou which is operated under Transfer-Operate-Transfer (the "TOT") arrangement, the rest are operated under Build-Operate-Transfer (the "BOT") arrangements.

For wastewater treatment plants that are operated under BOT arrangements, the Group (the operator) was granted rights to construct, operate and maintain those wastewater plants for a period of 20 to 30 years. The operator has the obligation to treat the required amount of wastewater and also to ensure the treated water fulfills the standard quality requirements of the grantor. The service fees are based on the extent of services rendered and subject to the approval from the relevant local government authorities. The infrastructure of the wastewater treatment plant, including the plant and equipment, know-how, operations manual, hand-over report, design of infrastructure and related documents and any significant residual interest for the wastewater treatment plant, will be transferred to the grantor or any grantor appointed agencies at the end of the concession period at nil or minimal consideration. The operator has the obligation to maintain and restore the wastewater treatment plants to their operational condition upon transferring to the grantor at the end of the concession period. These BOT arrangements do not contain renewal options. The arrangements will be early terminated only when a party breaches the relevant contracts or due to unforeseeable circumstances. All the operating rights of the above BOT arrangements are recognised as "intangible assets" in the unaudited condensed consolidated financial statements.

For wastewater treatment plant in Pizhou, which is operated under TOT arrangement, the operator acquired the plant and was granted rights to operate and maintain the plant for a period of 30 years. The operator has the obligation to treat the required amount of wastewater and also to ensure the treated water fulfills the standard quality requirements of the grantor. The service fees are based on the extent of services rendered and subject to the approval from the relevant local government authority. The infrastructure of the wastewater treatment plant, including the plant and equipment, know-how, operations manual, hand-over report, design of infrastructure and related documents and any significant residual interest for the wastewater treatment plant, will be transferred to the grantor or any grantor appointed agencies at the end of the concession period at nil consideration. The operator has the obligation to maintain and restore the wastewater treatment plant to its operational condition upon transferring to the grantor at the end of the concession period. The TOT arrangement does not contain renewal options. The arrangement will be early terminated only when a party breaches the contract or due to unforeseeable circumstances. The operating rights of the above TOT arrangement are recognised as "intangible assets" in the unaudited condensed consolidated financial statements.

No advance payments was provided to the grantors for getting the above BOT and TOT arrangements.

16. INVESTMENTS IN ASSOCIATES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Share of net assets	**5,018,830**	5,259,680
Goodwill	**244,070**	241,871
	5,262,900	5,501,551

The amount due from an associate represented a temporary loan of RMB338,796,000 (31 December 2017: RMB318,996,000) to Shanghai Shi He Industrial Co., Ltd. The amount was unsecured, non-interest-bearing and repayable on demand.

Details of the Group's associates at 30 June 2018 are as follows:

Name of company	Date and place of incorporation/ registration and place of operations	Registered and paid up capital (RMB)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
大眾交通(集團)股份有限公司[(1) (3)] Dazhong Transportation (Group) Co., Ltd. ("Dazhong Transportation")	24 December 1988 PRC/PRC	2,364,122,864	20.01	6.76	Public transportation
深圳市創新投資集團有限公司[(1)(2)] Shenzhen Capital Group Co., Ltd. ("Shenzhen Capital Group")	26 August 1999 PRC/PRC	4,202,249,520	13.93	–	Investment holding and provision of financial consultation and assets management services
上海電科智能系統股份有限公司[(1)] Shanghai Dianke Intelligence System Inc. ("SEISYS")	12 December 2007 PRC/PRC	100,000,000	28.00	–	Provision of products and services for smart transportation solution
上海興燁創業投資有限公司[(1)] Shanghai Xingye Venture Capital Co., Ltd. ("Xingye Venture Capital")	4 June 2008 PRC/PRC	40,000,000	20.00	–	Investment business
上海徐匯昂立小額貸款股份有限公司[(1)] Shanghai Xuhui Onlly Micro-credit Co., Ltd. ("Xuhui Onlly Micro-credit")	3 November 2012 PRC/PRC	150,000,000	20.00	–	Micro-credit services

16. INVESTMENTS IN ASSOCIATES (Continued)

Name of company	Date and place of incorporation/ registration and place of operations	Registered and paid up capital (RMB)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
蘇創燃氣股份有限公司[2] Suchuang Gas Co., Ltd. ("Suchuang Gas")	4 July 2013 Cayman Islands/ PRC	50,000,000	–	19.31	Sale of gas, provision of gas transmission and gas pipelines construction and installation
上海華燦股權投資基金合夥[1][4][5] Shanghai Huacan Equity Investment Fund Partnership (Limited Partnership)	10 March 2017 PRC/PRC	830,000,000	42.17	–	Investment fund
上海世合實業有限公司[1][6] Shanghai Shihe Industrial Co., Ltd. ("Shanghai Shihe")	11 March 2014 PRC/PRC	20,000,000	40.00	–	Investment fund

Notes:

1. The English names of the associates registered in the PRC represents the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

2. During the period, the Group held, directly or indirectly through its subsidiaries, less than 20% of the voting rights of these entities. Nevertheless, the directors concluded that the Group has significant influence over these entities and these entities are therefore accounted for as associates using equity method. Please refer to note 5(a) for basis of conclusion.

3. During the period, the Group acquired additional equity interests of 0.06% (2017: 0.95%) in Dazhong Transportation.

4. During the year ended 31 December 2017, the Company entered to a Partnership agreement to set up a fund for investing purpose, in which the Company held 60.24% equity interest of the partnership fund. However, Limited Partner is restricted to participate in any investing and operating activities and thus the Company has no controlling power over this investment fund. The power and operating authority were delegated to General Partner. Thus, the Company considered that it only has significant influence on this partnership fund and classified this limited partnership as an associate.

5. On 21 March 2017, the Company paid the initial investment amount of RMB500 million. On 14 July 2017, the Company entered into a Share Transfer Agreement and a supplementary agreement with Shanghai Dazhong Business Management Co., Ltd.. The Company transferred its corresponding rights and obligations of capital injection of RMB300 million to Shanghai Dazhong Business Management Co., Ltd., and thereafter, the Company holds 42.17%. of equity interest of the Huacan Fund.

6. During the year ended 31 December 2017, the Company entered to another partnership agreement to set up a fund for investing purpose, in which the Company held 40% equity interest of the partnership fund. As a Limited Partner, the Company is restricted to participate in any investing and operating activities and thus the Company has no controlling power over this investment fund. The power and operating authority were delegated to General Partner. Thus, the Company considered that it only has significant influence on this partnership fund and classified this limited partnership as an associate.

7. During the six months ended 30 June 2018, the Group disposed its equity interest in Shanghai Hangxin Investment Management Company Limited.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current investments		
— Listed debt investments (Note 23B)	–	11,743
— Listed equity investments (Note 23A)	–	121,698
— Unlisted equity investments (Note 23B)	–	817,402
	–	950,843
Less: Allowance for impairment losses	–	(57,599)
	–	893,244
Current investments		
— Investment-linked deposits* (Note 23A)	–	175,000

* These investment-linked deposits products were provided by the PRC banking institutions with guaranteed rates of return at fixed periods of terms within 3 months generally. The directors assessed that (i) the fair value of embedded derivative of these deposits was insignificant and accordingly such embedded derivative had not been separately recognised; and (ii) the cost of these deposits approximated their fair value, given that these deposits were with guaranteed rates of return and short maturities of within 3 months generally.

Note:

In 2017, the unlisted equity instruments held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each of the reporting periods. The Group assessed, at the end of each of the reporting periods, whether there was any objective evidence that the unlisted equity investments were impaired. The steps taken by the directors in assessing whether such objective evidence existed mainly include (i) obtaining information about whether there were significant changes with an adverse effect that had taken place in the technological, market, economic or legal environment in which the investees operated, such as structural changes in the industries in which the investees operated, changes in the level of demand for the goods or services sold by the investees resulting from product obsolescence, changes in the political or legal environments affecting the business of the investees; and (ii) whether there was any observable data that came to the attention of the Group about loss events such as changes in the investee's financial condition evidenced by changes in its liquidity, credit rating, profitability, cash flows, debt/equity ratio and level of dividend payment of the investees, that indicates that the cost of the investments might not be recovered. When there was objective evidence that any such individual asset was impaired, the amount of impairment loss was measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

In the opinion of the directors, non-current available-for-sale financial assets are not expected to be realised within one year from the end of respective reporting periods.

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Please refer to Note 2.

18. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade and bills receivables		
— Trade receivables	**322,773**	327,623
— Bills receivables	**–**	–
	322,773	327,623
Less: Allowance for impairment losses	**(21,459)**	(20,974)
Current portion	**301,314**	306,649
Non-current: retention sum for construction contracts (note)	**149,445**	149,445
	450,759	456,094

The Group's trading terms with its customers are mainly on credit. The credit period is generally within 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Although the Group's trade receivables relate to a number of customers, there is concentration of credit risk. The trade receivables from the five largest debtors as at 30 June 2018 represented 37.87% (31 December 2017: 24.51%) of total trade receivables, while 23.90% (31 December 2017: 14.28%) of the total receivables were due from the largest debtor.

Note: Retention sum for construction contracts represents retention receivables due from customers upon completion of the free maintenance period of the construction work, which normally last from 5 to 15 years. As at 30 June 2018 and 31 December 2017, retention receivables are neither past due nor impaired.

18. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade and bills receivables of the Group, excluding the retention receivables, as at the end of reporting period, based on the invoice date, is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 1 year	**291,629**	297,561
1 to 2 years	**7,136**	6,915
2 to 3 years	**3,535**	3,415
3 to 4 years	**2,595**	2,146
4 to 5 years	**1,648**	1,837
Over 5 years	**16,230**	15,749
	322,773	327,623
Less: Allowance for impairment losses	**(21,459)**	(20,974)
	301,314	306,649

The aged analysis of the trade and bills receivables from third parties of the Group, excluding the retention receivables, as at the end of the reporting period, based on the due date that are not individually nor collectively considered to be impaired is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	**240,765**	290,459
Within 1 year past due	**47,948**	4,126
1 to 2 years past due	**6,779**	6,570
2 to 3 years past due	**3,182**	3,073
3 to 4 years past due	**1,816**	1,502
4 to 5 years past due	**824**	919
	301,314	306,649

18. TRADE AND BILLS RECEIVABLES (Continued)

Receivables from third parties that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The table below reconciles the impairment loss of trade receivables:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
At beginning of the period/year	**20,974**	19,862
Impairment loss recognised	**485**	1,112
At end of the period/year	**21,459**	20,974

19. LEASE RECEIVABLES

As at 30 June 2018, the breakdown of lease receivables in connection with the provision of financial leasing to its customers by a wide array of assets under finance lease arrangements, such as motor vehicles, machinery, solar equipment and hotel equipment financial leasing arrangements, is as follows:

	Motor vehicles RMB'000	**Machinery RMB'000**	**Solar equipment RMB'000**	**Hotel equipment RMB'000**	**Total RMB'000**
Lease receivables	**18,924**	**1,811,335**	**211,700**	**50,387**	**2,092,346**
Less: Unearned finance income	**(1,125)**	**(185,439)**	**(3,443)**	**(3,009)**	**(193,016)**
Less: Allowance for impairment loss	**(179)**	**(16,545)**	**(12,268)**	**(14,858)**	**(43,850)**
At 30 June 2018	**17,620**	**1,609,351**	**195,989**	**32,520**	**1,855,480**

19. LEASE RECEIVABLES (Continued)

An aged analysis of lease receivables as at 30 June 2018, determined based on the age of the receivables since the effective dates of the relevant lease contracts, is as follows:

	Lease receivables RMB'000 (Unaudited)	Unearned finance income RMB'000 (Unaudited)	Allowance for impairment losses RMB'000 (Unaudited)	Net lease receivables RMB'000 (Unaudited)
Within 1 year	**984,155**	**(111,191)**	**(31,540)**	**841,424**
1 to 2 years	**653,148**	**(58,467)**	**(7,993)**	**586,688**
2 to 3 years	**376,928**	**(18,902)**	**(3,580)**	**354,446**
3 to 4 years	**54,668**	**(3,399)**	**(513)**	**50,756**
4 to 5 years	**23,447**	**(1,057)**	**(224)**	**22,166**
	2,092,346	**(193,016)**	**(43,850)**	**1,855,480**
Less: Non-current portion	**(1,108,191)**	**81,825**	**12,310**	**(1,014,056)**
Current portion	**984,155**	**(111,191)**	**(31,540)**	**841,424**

As at 31 December 2017, the breakdown of lease receivables in connection with the provision of financial leasing to its customers by a wide array of assets under finance lease arrangements, such as motor vehicles, machinery and solar equipment financial leasing arrangements, is as follows:

	Motor vehicles RMB'000 (Unaudited)	Machinery RMB'000 (Unaudited)	Solar equipment RMB'000 (Unaudited)	Hotel equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Lease receivables	34,900	1,195,625	212,708	66,815	1,510,048
Less: Unearned finance income	(1,993)	(129,385)	(9,908)	(4,556)	(145,842)
Less: Allowance for impairment loss	–	(332)	–	(14,621)	(14,953)
At 31 December 2017	32,907	1,065,908	202,800	47,638	1,349,253

19. LEASE RECEIVABLES (Continued)

An aged analysis of lease receivables as at 31 December 2017, determined based on the age of the receivables since the effective dates of the relevant lease contracts is as follows:

	Lease receivables RMB'000	Unearned finance income RMB'000	Allowance for impairment loss RMB'000	Net lease receivables RMB'000
Within 1 year	718,585	(85,553)	(12,801)	620,231
1 to 2 years	443,809	(42,872)	(2,152)	398,785
2 to 3 years	279,052	(14,962)	–	264,090
3 to 4 years	65,789	(2,437)	–	63,352
4 to 5 years	2,813	(18)	–	2,795
	1,510,048	(145,842)	(14,953)	1,349,253
Less: Non-current portion	(791,463)	60,289	2,152	(729,022)
Current portion	718,585	(85,553)	(12,801)	620,231

Lease receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the end of reporting periods is the carrying value of the receivables mentioned above. The fair value of financial or non-financial assets accepted as collaterals that the Group is permitted to sell or re-pledge in the absence of default is RMB2,496,044,000 (31 December 2017: RMB1,737,153,000).

20. AMOUNT DUE FROM GRANTOR

A profile of the amount due from grantor as at the end of the reporting periods, based on the due date, is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Due within 1 year	**37,675**	36,698
Non-current portion	**562,345**	581,670
	600,020	618,368

The credit quality of amount due from grantor that is neither past due nor impaired has been assessed by reference to historical information about counterparty default rate. The existing counterparty did not default in the past.

The Group recognised financial asset — amount due from grantor in respect of its public infrastructure projects arising from a BOT arrangement. The significant aspects of the service concession arrangement are summarised as follows:

(a) The Group entered into a service concession arrangement with the local government authority (i.e. the grantor) for the Xianyin Road Tunnel construction and operation of which is located in Shanghai, PRC for a concession period of 25 years. Pursuant to the service concession arrangement, the Group has to design, construct and operate the Xianyin Road Tunnel, and has the obligation to maintain the Xianyin Road Tunnel in good condition. The Group will be paid for its services over the service concession period at prices stipulated through a pricing mechanism. Upon expiry of the concession period, the Xianyin Road Tunnel and the related facilities will be transferred to the grantor at nil consideration.

The service concession arrangement does not contain any renewal options. The standard rights of the grantor to terminate include failure of the Group to construct and operate the Xianyin Road Tunnel and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the arrangement include failure to receive payments for road and tunnel service from the grantor and in the event of a material breach of the terms of the agreement.

(b) The public infrastructure projects with financial receivables amounting to RMB600,020,000 (31 December 2017: RMB618,368,000) as at 30 June 2018 are pledged to secure the loans taken up by the Group (note 25).

Amount due from grantor is in respect of revenue from construction services under BOT arrangement and bears interest at a rate of 5.4% per annum (2017: 5.4%). The amount was not yet due for payment at the end of each of the reporting periods and will be settled by revenue to be generated during the operating periods of the BOT arrangement.

21. DEFERRED TAX ASSETS/(LIABILITIES)

The components and movements in deferred tax liabilities and assets during the six months ended 30 June 2018 are as follows:

	Impairment of assets	**Provision**	**Fair value changes of financial assets**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (Audited)	636	4,124	(77,343)	(6,147)	(78,730)
Credited/(charged) to profit or loss	9,149	3,316	3,152	(26,577)	(10,960)
Credited to other comprehensive Income	–	–	62,233	25,071	87,304
At 31 December 2017 (Audited)	9,785	7,440	(11,958)	(7,653)	(2,386)
Impact on initial application of IFRS 9	3,311	–	(81,405)	–	(78,094)
At 1 January 2018	13,096	7,440	(93,363)	(7,653)	(80,480)
Credited/(charged) to profit or loss	3,954	1,350	(732)	1,566	6,138
Charged to other comprehensive Income	–	–	–	–	4,533
Disposal of the subsidiary	(5,439)	–	–	–	(5,439)
At 30 June 2018 (Unaudited)	11,611	8,790	(89,562)	(6,087)	(75,248)

For the purpose of presentation in the unaudited condensed consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Deferred tax assets	**36,668**	32,406
Deferred tax liabilities	**(111,916)**	(34,792)
	(75,248)	(2,386)

21. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

Deferred tax assets have not been recognised for the following:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Deductible temporary differences	**149,506**	202,583
Unused tax losses	**508,330**	474,385
	657,836	676,968

No deferred tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

Tax losses unrecognised as deferred tax assets that will expire in:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
2018	**9,956**	78,911
2019	**12,615**	12,762
2020	**8,279**	8,279
2021	**138,475**	179,532
2022	**140,289**	194,901
2023	**101,986**	–
No expiry date	**96,730**	–
	508,330	474,385

22. LOAN RECEIVABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Loan receivables	–	160,830
Less: Allowance for impairment losses	–	(23,323)
Current portion	–	137,507

The Group's loan receivables, which arise from the micro-credit business of providing loans in the PRC, are denominated in RMB.

Loan receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the end of reporting periods is the carrying value of the receivables mentioned above. During the six months ended 30 June 2018, the subsidiary which has been engaged in this business was disposed in the period (note 6).

An aging analysis of loan receivables (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	–	100,584
Less than 1 year past due	–	11,250
Over 1 year past due	–	25,673
	–	137,507

22. LOAN RECEIVABLES (Continued)

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date, is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 1 year	**–**	80,000
1 to 2 years	**–**	36,600
2 to 3 years	**–**	44,230
	–	160,830

The below table reconciles the impairment loss of loan receivables:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
At beginning of the period/year	**23,323**	7,915
Impairment loss recognized	**–**	15,408
Disposal of the subsidiary	**(23,323)**	
At end of the period/year	**–**	23,323

* As the subsidiary was disposed during the period, there is no balance for loan receivable as at 30 June 2018.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

(A) Financial assets at fair value through profit or loss

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Listed equity investments (Note 17)	**264,554**	19,440
Unlisted equity investments (Note 17)	**1,167,284**	–
Investment-linked deposits with variable income (Note 17)	**105,047**	–
Listed debt investments (Note 17)	**–**	1,738
	1,536,885	21,178
Less: Non-current portion	**693,760**	–
Current portion	**843,125**	21,178

After initial adoption of IFRS 9 on 1 January 2018, the listed equity investment, unlisted equity investments and investment-linked deposits are reclassified as financial assets at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Non-current investments		
– Listed equity investments (Note 17)	**103,562**	–
– Listed debt investments (Note 17)	**330,834**	–
	434,396	–

After initial adoption of IFRS 9 on 1 January 2018, the listed equity investments and listed debt investments are reclassified as financial assets at fair value through other comprehensive income.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Cash and bank balances	**2,614,174**	5,131,981
Less: Pledged short-term deposits	**(18,660)**	(219,473)
Cash and cash equivalents	**2,595,514**	4,912,508

Cash and banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

As at 30 June 2018, a deposit pledged to secure a bank loan was released and remaining deposits were pledged to secure general banking facilities for daily operation purpose. As at 31 December 2017, pledged deposits represent deposits pledged to banks to secure bank loans granted to the Group of RMB209,010,000 and pledged deposits for operation purpose of RMB10,463,000.

RMB is not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. BORROWINGS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Current portion		
Guaranteed or secured bank loans	**814,584**	798,962
Unguaranteed or unsecured bank loans	**1,809,649**	2,209,051
	2,624,233	3,008,013
Non-current portion		
Guaranteed or secured bank loans	**938,324**	113,450
Unguaranteed or unsecured bank loans	**195,000**	714,432
	1,133,324	827,882
Total borrowings	**3,757,557**	3,835,895
Bank loan interest at rate per annum in the range of	**3.92% to 5.70%**	2.44% to 5.23%

25. BORROWINGS (Continued)

Total current and non-current bank borrowings were scheduled to repay as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
On demand or within one year	**2,624,233**	3,008,013
More than one year, but not exceeding two years	**701,947**	827,882
More than two years, but not exceeding five years	**431,377**	–
	3,757,557	3,835,895

The carrying amounts of the Group's current interest-bearing bank loans approximate to their fair values.

The Group's interest-bearing bank loans are secured by the pledges of the following assets with carrying values at the end of the reporting periods as follows:

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Pledge of assets:			
Amount due from grantor	(i)	**600,020**	618,368
Trade receivables	(ii)	**1,063,289**	178,243
Concession rights	(iii)	**517,283**	549,707
Pledged deposits	(iv)	**–**	209,010

Notes:

(i) Bank loans amounting to RMB99,000,000 (31 December 2017: RMB128,000,000) as at 30 June 2018 were secured by the amount due from grantor in note 20.

(ii) Bank loans amounting to RMB791,501,000 (31 December 2017: RMB353,985,000) as at 30 June 2018 were secured by trade receivables in note 18.

(iii) Bank loans amounting to RMB151,904,000 (31 December 2017: RMB117,684,000) were secured by concession rights of certain wastewater plants in note 15.

(iv) A bank loan amounting to USD30,500,000 as at 30 June 2018 was fully repaid (31 December 2017: secured by pledged deposits USD30,500,000) in note 24.

At 30 June 2018, the Company has issued guarantees to banks to secured banking facilities granted to certain subsidiaries to the extent of RMB4,000,000,000 (31 December 2017: RMB2,500,000,000). The aforesaid bank loans outstanding as at 30 June 2018 were RMB1,653,908,000 (31 December 2017: RMB1,242,257,000).

25. BORROWINGS (Continued)

Most of the Group's bank borrowings agreements provide that without the lending banks' prior written consent, the Group cannot conduct reorganisations, mergers, consolidations, changes of major equity holders, changes of business model, transfer or sale of major assets, investments, guarantees, substantial increases of debt or other actions that may affect the Group's ability to repay the loans.

Included in unsecured loans were loan from a fellow subsidiary of Shanghai Gas Group, one of the shareholders of the Company, amounting to RMB300,000,000 (31 December 2017: RMB300,000,000) as at 30 June 2018. The balance was unsecured, interest bearing at interest rates of 3.92% (31 December 2017: 3.92%) per annum and repayable within one year (31 December 2017: one year).

The Group has aggregated banking facilities of RMB8,586,239,000 (31 December 2017: RMB8,189,758,000) granted from the bankers, of which RMB3,757,557,000 (31 December 2016: RMB3,835,859,000) was utilised and RMB4,828,682,000 (31 December 2017: RMB4,353,863,000) was unutilised as at 30 June 2018.

26. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE

Corporate bonds

As approved by the China Securities Regulatory Commission document [2011] No. 2079, the Company issued domestic corporate bonds with an aggregate principal amount of RMB1.6 billion on 6 January 2012. The bonds matured in six years on 5 January 2018 and bear interest at a benchmark interest rate (based on the National Interbank Funding Center released interest rate) plus an interest margin of 2.95% per annum. The 2012 bonds matured and repaid in January 2018.

As approved by the China Securities Regulatory Commission document [2017] No. 1928, the Company issued domestic corporate bonds with an aggregate principal amount of RMB500 million on 13 March 2018. The bonds mature in five years due on 13 March 2023 and bear fixed interest at 5.58% per annum.

The corporate bonds are stated at amortised cost. Interest is payable once every six months for 2012 bonds and interest is payable once a year for 2018 bonds.

26. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE (Continued)

Corporate bonds (Continued)

The corporate bonds recognised in the unaudited condensed consolidated statement of financial position are calculated as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
At beginning of the year	**1,599,675**	1,595,052
Add: New issue corporate bonds	**500,000**	–
Add: Interest expenses	**10,100**	93,174
Less: Interest and charge paid	**(11,670)**	(88,551)
Less: repaid principal	**(1,600,000)**	–
At end of the year	**498,105**	1,599,675
Less: Current portion due within 1 year	**–**	(1,599,675)
Non-current portion	**498,105**	–

Medium-term bonds

As approved by the National Association of Financial Market Institutional Investors [2016] No. MTN378, the Company issued medium-term bonds with the principal amounts of RMB600 million and RMB500 million on 11 August 2017 and 18 August 2017 respectively. The bonds mature in 3 years due on 10 August 2020 and 17 August 2020 respectively, and bear interest at fixed interest rates 4.88% per annum and 4.85% per annum respectively.

The medium-term bonds are stated at amortised cost. Interest is payable once a year.

26. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE (Continued)

Medium-term bonds (Continued)

The medium-term bonds recognised in the consolidated statement of financial position are calculated as follows:

	2018 RMB'000	2017 RMB'000
At beginning of the year	**1,092,799**	–
Issued during the year	**–**	1,100,000
Add: Interest expense	**27,925**	13,796
less: Interest payable	**(26,545)**	(20,997)
At end of the year (non-current bonds portion)	**1,094,179**	1,092,799

Short-term bonds

In September 2016, as approved by the National Association of Financial Market Institutional Investors [2016] No. SCP251, the Company issued short-term bonds with an aggregate principal amount of RMB300 million on 23 September 2016. The bonds mature in 270 days and bear interest at a benchmark interest rate (based on the National Interbank Funding Center released interest rate) plus an interest margin of 2.90% per annum. The 2016-short-term bond matured and was repaid in June 2017.

In February 2017, as approved by the National Association of Financial Market Institutional Investors [2016] No. SCP251, the Company issued three short-term bonds. The principal amounts of these three 2017-short-term bonds are RMB500 million issued on 23 February 2017 at a fixed interest rate 4.43% per annum for a term of 181 days; RMB500 million issued on 16 August 2017 at a fixed interest rate 4.63% per annum for a term of 1 year; and RMB500 million on 24 November 2017 at a fixed interest rate 5.39% per annum for a term of 270 days. One of the 2017-short-term bonds of amount RMB500 million matured and was repaid in August 2017.

The short-term bonds are stated at amortised cost. Interest is payable at due day.

26. CORPORATE BONDS, MEDIUM-TERM AND SHORT-TERM BONDS PAYABLE (Continued)

Short-term bonds (Continued)

The short-term bonds recognised in the unaudited condensed consolidated statement of financial position are calculated as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
At beginning of the year	**1,009,978**	302,417
Issued during the year	**–**	1,500,000
Repayment of short-term bond	**–**	(800,000)
Add: Interest expense	**26,121**	24,920
Less: Interest paid	**–**	(17,359)
At end of the year (current portion)	**1,036,099**	1,009,978

27. TRADE AND BILLS PAYABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade payables		
— Shanghai Gas Group	**574,549**	745,996
— Third parties	**316,802**	517,613
Bills payable	**11,430**	–
	902,781	1,263,609

27. TRADE AND BILLS PAYABLES (Continued)

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 1 year	**845,869**	1,210,918
1 to 2 years	**47,898**	42,026
2 to 3 years	**2,319**	3,900
Over 3 years	**6,695**	6,765
	902,781	1,263,609

28. OTHER PAYABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Current portion		
Deposits received, other payables and accruals	**1,164,361**	566,969
Amount due to Shanghai Gas Group	**22,491**	20,091
Receipt in advance	**227,399**	142,731
Salary payables	**24,073**	73,716
Interest payables	**61,130**	26,797
Dividend payables	**175,164**	911
Deferred government grants	**5,209**	5,382
	1,679,827	836,597
Non-current portion		
Amount due to Shanghai Gas Group	**37,310**	37,310
Finance lease deposit received	**210,613**	158,039
Deferred government grants	**145,253**	147,799
	393,176	343,148
	2,073,003	1,179,745

Other payables are non-interest-bearing.

29. DEFERRED INCOME

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
At beginning of the year	**1,330,328**	1,327,471
Additions	**98,548**	225,006
Released to profit or loss (Note 4)	**(114,580)**	(222,149)
At end of the year	**1,314,296**	1,330,328
Analysed into:		
Current	**208,331**	212,693
Non-current	**1,105,965**	1,117,635
At end of the year	**1,314,296**	1,330,328

Deferred income represents the fees received from customers in advance in exchange for the connection of gas pipelines to the natural gas pipeline network. These fees are received upfront and revenue is recognised over ten years.

As at 30 June 2018, the deferred income included an amount of RMB139,434,000 (31 December 2017: RMB139,434,000) which was related to the balance of fees received from customers in advance in exchange for the connection of gas pipelines to the natural gas pipeline network at the time when the 50% equity interests of Dazhong Gas was transferred from Shanghai Municipal Assets Management Company (上海市政資產經營公司) to the Company pursuant to a share transfer agreement in 2001. This balance remained unsettled as there was a dispute as to the ownership of such balance and the related interest income of RMB8,944,000 (31 December 2017: RMB8,944,000) which was accounted for as "other payables".

30. CONTRACT LIABILITIES*/AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**311,572**	287,854
Progress billings	**(997,479)**	(929,199)
	(685,907)	(641,345)
Represented by:		
Contract liabilities/amounts due to customers included in current liabilities	**(685,907)**	(641,345)

* Since 1 January 2018, the amounts due to customers for contract work was renamed as contract liabilities.

31. SHARE CAPITAL

	Number of A shares	Number of H shares	Total Number of ordinary shares	Authorised shares RMB'000	Issued and paid shares RMB'000
As 1 January 2017	2,423,764,675	478,940,000	2,902,704,675	2,902,705	2,902,705
Issue of H shares at RMB1 per share (note i)	–	49,730,000	49,730,000	49,730	49,730
Transfers of A shares to H shares (note i)	(4,973,000)	4,973,000	–	–	–
As 31 December 2017, 1 January 2018 and 30 June 2018	2,418,791,675	533,643,000	2,952,434,675	2,952,435	2,952,435

Notes:

(i) On 9 January 2017, 49,730,000 H shares were issued by the Company pursuant to the partial exercise of over-allotment option and 4,973,000 H shares were converted from the Company's A shares transferred to National Council for Social Security Fund of the PRC in accordance with the relevant PRC regulations regarding reduction of state-owned shares upon the exercise of the partial over-allotment option. As a result, the Company has increased an aggregated 54,703,000 H shares and decreased 4,973,000 A shares immediately after completion of the transaction. As at 30 June 2018 and 31 December 2017, the Company has 533,643,000 H Shares and 2,418,791,675 A shares respectively.

32. COMMITMENTS

(a) Operating lease commitments

Operating leases — lessee

Except for the prepaid premium for land leases, the Group leases certain of its land and buildings and office premises under operating lease arrangements. Leases for land and buildings and office premises are for terms ranging from 1 to 3 years.

The total future minimum lease payments under non-cancellable operating leases, which the Group is a leasee are as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Within one year	**2,123**	4,853
In the second to fifth year	**56**	2,909
After the fifth year	**–**	4,199
	2,179	11,961

Operating leases — lessor

As the end of each reporting date, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the investment properties and equipments are as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Within one year	**7,079**	4,808
In the second to fifth year	**13,602**	10,548
After the fifth year	**15,477**	20,129
	36,158	35,485

32. COMMITMENTS (Continued)

(b) Capital commitments

Capital commitments not provided for in the unaudited condensed consolidated financial statements were as follows:

	Notes	**As at 30 June 2018 RMB'000**	As at 31 December 2017 RMB'000
In respect of:			
Share transfer agreements	(i),(iv)	**975,791**	51,678
Capital injection in subsidiaries	(ii),(iii)	**–**	82,671
Investment project	(v)	**170,000**	–

Notes:

(i) A subsidiary of the Group, namely 上海大眾集團資本股權投資有限公司 ("the Buyer"), engaged in a share transfer agreement with 上海東方傳媒集團有限公司 ("the Seller") on 29 April 2010 to acquire the partial of the shares held by the Seller of 華人文化產業股權投資(上海)中心有限合夥 at the consideration price of RMB250,000,000. According to the condition of the mutual agreement, the full amount should be paid upon the completion of the registration of the transfer of shares. As at 30 June 2018, the Group in aggregate has paid RMB237,273,000 (2017: RMB198,322,000) by installments and all shareholders have paid according to the equity interest proportion. The remaining balance of RMB12,727,000 (2017: RMB51,678,000) will be paid together with other shareholders in accordance with equity interest proportion for further investment needs.

(ii) On 22 December 2017, the Group set up a new subsidiary in Vietnam namely Dazhong (Vietnam) Corporation Limited with registered capital of USD5,000,000 (equivalent to RMB32,671,000). As at 31 December 2017, the registered Capital of this subsidiary was not yet paid up. As at 30 June 2018, the amount has been fully paid.

(iii) During the year ended 31 December 2017, the Company's 50% subsidiary, Shanghai Dazhong Gas increased the registered capital by RMB200,000,000, which RMB100,000,000 was paid up as at 31 December 2017. The remaining amount of RMB100,000,000 has been paid by the Company together with other shareholders in 2018.

(iv) On 18 May 2018, the Company entered into Equity Transfer Agreement with Mr. Lin Kewen and Mr. Lin Leiyuan, pursuant to which the Company shall acquire 100% equity interests in Shanghai Ruyu which was owned as to 89% by Mr. Lin Kewen and as to 11% by Mr. Lin Leiyuan, and 49% equity interests in Shanghai Huiran held by Mr. Lin Kewen, respectively, for a consideration of approximately of RMB1,077,961,000 and RMB527,144,000, respectively. Up to 30 June 2018, The Company paid approximately of RMB431,184,000 for 40% of the consideration of Ruyu and approximately of RMB210,858,000 for 40% of the consideration of Huiran. As at 30 June 2018, the remaining consideration to be paid for Yurui and Huiran was approximatly was RMB646,777,000 and RMB316,287,000 respectively

(v) During the six months ended 30 June 2018, the Group had entered into a partnership agreement for a capital contribution of RMB700,000,000, and the proportion of the contribution was 42.17%. Up to 30 June 2018, RMB530,000,000 was paid by the Group. The remaining RMB170,000,000 was paid subsequent to the reporting date on 2 July 2018.

33. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2018, the Group entered into the following significant transactions with its related parties as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Shanghai Gas Group		
Purchase of piped gas	**1,729,205**	1,556,546
Rental expenses	**2,400**	2,480
Associates		
Rental expenses	**2,315**	2,236
Shanghai Gas Group's Subsidiary		
Purchase of piped gas	**10,039**	–
Shanghai Gas Group's affiliate		
Interest expense	**5,340**	4,921

The above transactions were conducted in the normal course of the Group's business and were determined based on mutually agreed prices and terms with reference to the market price at the time of the transaction.

Key management remuneration

The Group considered the directors, supervisors and others as key management.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries and other benefits	**10,465**	12,437
Pension scheme contributions	**715**	651
Total compensation paid to key management personnel	**11,180**	13,088

33. RELATED PARTY TRANSACTIONS (Continued)

As the end of each reporting date, apart from the disclosures already made in investments in associates, trade and bills payable and other payables in notes 16, 27 and 28 respectively, the balances with its related parties are listed as follows:

	Notes	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
Prepayment			
Dazhong Building	(i)	**140**	140
Shanghai Natural Gas Network Management Company Limited ("Shanghai Natural Gas")	(ii)	**2,899**	–
Dividend receivable			
Shanghai Xuhui Onlly Mirco-credit	(iii)	**–**	876
Shanghai Hangxin	(iv)	**–**	8,145
Dazhong Transportation	(v)	**17,955**	–
Other receivables			
Shanghai Xuhui Onlly Micro-credit	(iii)	**–**	320
Shanghai Shihe	(vi)	**342,218**	322,218

(i) Shanghai Dazhong Building Co., Ltd ("Dazhong Building") is a subsidiary of an associate of the Group, namely Dazhong Transportation.

(ii) Shanghai Natural Gas is a subsidiary of Shanghai Gas Group.

(iii) Xuhui Onlly Micro-credit is an associate of the Group.

(iv) Shanghai Hangxin is an associate of the Group.

(v) Dazhong Transportation is an associate of the Group.

(vi) Shanghai Shihe is an associate of the Group.

34. FINANCIAL INSTURMENTS

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Unaudited 30 June 2018			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at fair value				
– Listed equity investments	**368,116**	**–**	**–**	**368,116**
– Listed debt investments	**330,834**	**–**	**–**	**330,834**
– Investment-linked deposits	**–**	**–**	**105,047**	**105,047**
– Unlisted equity investments	**–**	**–**	**1,167,284**	**1,167,284**
	698,950	**–**	**1,272,331**	**1,971,281**

	31 December 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value				
– Listed equity investments	141,138	–	–	141,138
– Listed debt investments	13,481	–	–	13,481
	154,619	–	–	154,619

35. LITIGATION

A subsidiary of the Group, Dazhong Financial Leasing filed a lawsuit against 2 finance lessees for failure to repay the financial lease payment in time. The case was first heard in Shanghai on 24 July 2018. The Xuhui District People's Court held a hearing and has not yet decided as of the reporting date.

A subsidiary of the Group, Dazhong Financial Leasing filed a lawsuit against a finance lessee due to failure to repay the financing lease in time. The case will be heard in the Xuhui District People's Court of Shanghai on 27 September 2018.

36. SUBSEQUENT EVENTS

1. On 29 March 2018, the Company entered into the Shanghai Assets and Equity Exchange Contract with Dazhong Business Management and Shanghai Yiyang Landscaping Co., Ltd to acquire 61.67% and 18.33% equity interests in Shanghai Dazhong Run Logistics Shares Co., Ltd held by Dazhong Business Management and Yiyang Landscaping, respectively, for an aggregated consideration of RMB96,000,000. The Company has paid part of consideration for equity transfer of RMB80,000,000 on March 29, 2018 and RMB16,000,000 on June 27, 2018. As at 6 months ended 30 June 2018, the change of ownership was still in progress.

2. On 3 May 2018, the Company entered into the Partnership Agreement and the Capital Contribution Agreement for Beijing Aiqi Ruidong Investment Management Center (Limited Partnership) with each of Tibet Jinkun and other limited partners. Each of the Company and Dazhong Transportation has subscribed a contribution of RMB220,000,000 to become limited partners of Aiqi Ruidong. On 4 May 2018, the Company paid the first capital contribution of RMB20,000,000. In view of the changes in the proposed investment project of Aiqi Ruidong, on 27 July 2018, the Company and other limited partners signed the "Withdrawal Agreement" and withdrew from the limited partnership Aiqi Ruidong. On 30 July 2018, the company received a capital con-tribution (excluding management fees) returned by Aiqi Ruidong for RMB19,978,700.

3. On 18 May 2018, the Company entered into Equity Transfer Agreement with Mr. Lin Kewen and Mr. Lin Leiyuan, pursuant to which the Company shall acquire 100% equity interests in Shanghai Ruyu which was owned as to 89% by Mr. Lin Kewen and as to 11% by Mr. Lin Leiyuan, and 49% equity interests in Shanghai Huiran held by Mr. Lin Kewen, respectively, for a consideration of approximately RMB1,077,960,000 and RMB527,144,000, respectively. Up to 30 June 2018, The Company paid approximately of RMB431,184,000 for 40% of the consideration of Ruyu and approximately of RMB210,858,000 for 40% of the consideration of Huiran. On 23 July 2018, the Company paid the remaining consideration of Yurui and Huiran for approximately of RMB646,777,000 and RMB316,287,000 respectively. On 20 August 2018, the Company paid RMB 232,000 to Lin Kewen and Mr. Lin Leiyuan for the delay in payment of equity transfer payments.

4. On 20 July 2018, the Company issued the 2017 second tranche corporate bonds in a total amount of RMB11.9 billion. The corporate bonds consist of two types, of which the first type has a term of three years with the Issuer's option to adjust the coupon rate after the investor's option to sell back the Issuer (the "Type 1 bonds"), and the second type has a 5 years fixed interest rate (the "Type 2 bonds").The total issue size for the Type 1 bonds shall be RMB510million and its coupon rate shall be fixed at 4.65% and the total issue size for the Type 2 bonds shall be RMB680million and its coupon rate shall be fixed at 4.89%. After the issuance of the bonds, the company's publicly issued corporate bond quota (the RMB16.9 billion approved by the National Market Institutional Investors [2017] No. 1928 document) has been fully issued.

5. On 16 August 2018, one of the medium-term corporate bond issued on 15 August 2018 with a principal amount of RMB500 million was matured and fully paid by the Group.

6. On 21 August 2018, one of the short-term corporate bond issued on 23 November 2017 with a principal amount of RMB500 million was matured and fully paid by the Group.

7. On 30 August 2018, the Company and its subsidiary Dazhong Transportation entered into Shanghai Assets and Equity Exchange Contract in Shanghai, pursuant to which the Company transferred 15% equity interests of Shi He Industrial Company Limited held by the Company to Dazhong Transportation. The transfer price was RMB60,164,000.