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

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

(Stock Code: 1635)

**OVERSEAS REGULATORY ANNOUNCEMENT
ANNOUNCEMENT REGARDING
THE CHANGES IN ACCOUNTING POLICIES**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On August 29, 2017, Shanghai Dazhong Public Utilities (Group) Co., Ltd. (the “Company”) convened the third meeting of the tenth session of the board of directors (the “Board”), at which “the resolution in relation to the changes in accounting policies” was considered and approved. Details of the resolution are set out as follows:

IMPORTANT NOTICE:

The change to the accounting policy will pose no substantial impact on the loss and profit, total assets, and net assets of the Company.

I. Overview

According to the *Notice of Printing and Distributing the Amendments to the Accounting Standards for Business Enterprises (Fiscal Accounting 2017 No. 15)* promulgated by the Ministry of Finance on May 10, 2017, all enterprises in compliance with the Accounting Standards for Business Enterprises shall be required to apply the amendments with effect from June 12, 2017, pursuant to which, the prospective approach shall be adopted by such enterprises as to government grants existing prior to January 1, 2017, and adjustments shall be made to government grants newly approved from January 1, 2017 to the date of application.

Based on the requirements as contained in the aforesaid notice, the Company shall commence applying the revised *Accounting Standards for Business Enterprises No. 16: Government Grants* in the preceding paragraph with effect from June 12, 2017. As the change in the accounting policy was already considered and approved by the third meeting of the tenth session of the Board of the Company, no approval at a shareholder meeting is required.

II. Details and Implications

1. *Cause and content of change in accounting policy*

In accordance with the relevant requirements under the *Accounting Standards for Business Enterprises No. 16: Government Grants* promulgated by the Ministry of Finance on May 10, 2017, the Company shall recognize or write down government grants related to its daily business activities in other income or against the relevant costs and expenses based on the nature of economic businesses, which shall be separately presented as an item of “other income” above “operating income” on the statement of profit or loss, thus government grants recognized in other income shall be reflected as an item of “other income”, and government grants irrelevant to its daily business activities shall be recognized in non-operating income and expenses.

2. *Accounting policy adopted prior to the change*

Prior to change to the accounting policy, the Company applied the *Accounting Standards for Business Enterprises No. 16: Government Grants* promulgated by the Ministry of Finance on February 15, 2006.

3. *Accounting policy adopted subsequent to the change*

Subsequent to change to the accounting policy, the Company shall apply the revised *Accounting Standards for Business Enterprises No. 16: Government Grants (Fiscal Accounting 2017 No. 15)* promulgated by the Ministry of Finance on May 10, 2017, pursuant to which, the prospective approach will be applied to government grants existing prior to January 1, 2017, and adjustments shall be made to government grants newly approved during the January 1, 2017 and the date of application.

4. *Date of change*

The change will take effect from June 12, 2017.

5. *Major contents of change to accounting policy and its impact on the Company*

Contents of accounting policy and causes	Affected names and amounts on the statement
Government grants related to the Company's daily business activities are recognized in other income rather than non-operating income and expenses.	From January to June, 2017, amounts of other income increased by RMB2,315,662.79, while amounts of non-operating income decreased by RMB2,315,662.79.
Some government grants relevant to revenue are written down against the relevant costs and expenses	From January to June, 2017, amounts of taxes and surcharges decreased by RMB968,877.93, while amounts of non-operating income decreased by RMB968,877.93.

III. Conclusive Opinions from Independent Directors and Supervisory Committee

The Independent Directors believe that the financial position, operating results, and cash flow of the Company for the period from January to June, 2017 will not be materially affected by the corresponding change to the accounting policy of the Company in accordance with the revised *Accounting Standards for Business Enterprises No. 16: Government Grants* circulated by the Ministry of Finance, nor is any retrospective adjustment related to previous years. The decision-making procedure of the Company regarding change to the accounting policy is in compliance with the requirements under the relevant laws, regulations, and the *Articles of Association*, which does not prejudice the interests of the Company and the shareholders as a whole, in particular the minority shareholders. Therefore, the Independent Directors approved the change to the accounting policy of the Company.

The Supervisory Committee believe that the change to the accounting policy was reasonably made in accordance with the specific requirements under the *Accounting Standards for Business Enterprises No. 16: Government Grants (Fiscal Accounting 2017 No. 15)* revised by the Ministry of Finance. The application of the revised accounting policy will allow the financial position and operating results of the Company to be presented in a more objective and fair manner, and the relevant decision-making procedure is in compliance with the requirements under the relevant laws, regulations, and the *Articles of Association*, which does not prejudice the interests of the Company and the shareholders as a whole. Therefore, the Supervisory Committee approved the change to the accounting policy of the Company.

IV. Documents Available for Inspection

- 1. the resolution at the third meeting of the tenth session of the Board of the Company**
- 2. the resolution at the third meeting of the tenth session of the Supervisory Committee of the Company**
- 3. the independent opinions by the Independent Directors on the change to the accounting policy of the Company**

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

Shanghai, the People's Republic of China
August 29, 2017

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

** For identification purposes only*