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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET INTERESTS

THE ACQUISITION

On 18 May 2018, the Company and the Vendors entered into the Agreement, pursuant to which the Company shall acquire 100% and 49% equity interests in Shanghai Ruyu and Shanghai Huiran, respectively, for a consideration of RMB1.08 billion and RMB527 million, respectively. The Consideration amounted to RMB1.61 billion. The Company will satisfy the Consideration by internal resources and self-financing. Upon Completion, (i) Shanghai Ruyu will become a wholly-owned subsidiary of the Company; and (ii) the shareholding interest of the Company in Shanghai Huiran will be 49%.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Hong Kong Listing Rules and is therefore subject to the reporting and announcement requirements under the Hong Kong Listing Rules.

* For identification purpose only

On 18 May 2018, the Company and the Vendors entered into the Agreement, pursuant to which the Company shall acquire 100% and 49% equity interests in Shanghai Ruyu and Shanghai Huiran, respectively, for a consideration of RMB1.08 billion and RMB527 million, respectively. The Consideration amounted to RMB1.61 billion. The Company will satisfy the Consideration by internal resources and self-financing. Upon Completion, (i) Shanghai Ruyu will become a wholly-owned subsidiary of the Company; and (ii) the shareholding interest of the Company in Shanghai Huiran will be 49%.

THE ACQUISITION

The Agreement

Date 18 May 2018 (after trading hours)

Parties

The Purchaser: The Company

The Vendors: Mr. Lin Kewen and Mr. Lin Leiyuan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendors are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser agreed to purchase, and:

1. Mr. Lin Kewen agreed to sell 89% equity interests in Shanghai Ruyu and 49% equity interests in Shanghai Huiran; and
2. Mr. Lin Leiyuan agreed to sell 11% equity interests in Shanghai Ruyu.

Upon Completion, (i) Shanghai Ruyu will become a wholly-owned subsidiary of the Company; and (ii) the shareholding interest of the Company in Shanghai Huiran will be 49%.

Consideration and Payment Terms

The consideration for the acquisition of 100% equity interests in Shanghai Ruyu is RMB1.08 billion and the consideration for the acquisition 49% equity interests in Shanghai Huiran is RMB527 million.

The Consideration amounted to RMB1.61 billion, which will be settled in cash by the Company in the following manner:

- (1) The Company shall pay 40% of the Consideration for equity transfer, being RMB642,042,178.32 (“**First Installment**”) to the receiving accounts as shown in this Agreement within six (6) working days from the date of signing this Agreement. Among which, RMB594,611,895.57 shall be paid to the account of Mr. Lin Kewen as shown in this Agreement, and RMB 47,430,282.75 shall be paid to the account of Mr. Lin Leiyuan as shown in this Agreement. If the Company fails to pay the First Installment, liquidated damages shall be paid to the Vendors by the Company at amount of 0.05% of the outstanding amount payable per each day delayed until settlement of the outstanding First Installment payable. If the Company fails to pay the First Installment in full pursuant to the above provision within fifteen (15) days from the date of this Agreement, the Vendors have the right to unilaterally terminate this Agreement, and the Company shall pay additional liquidated damages of RMB30 million to the Vendors in addition to the liquidated damages at amount of 0.05% of the outstanding amount payable pursuant to the above provision.
- (2) The Company shall pay 60% of the consideration for equity transfer, being RMB963,063,267.48 (“**Final Payment**”) to the receiving account as shown in this Agreement at the Closing Date (as defined below) or such later date as jointly confirmed by the Vendors and the Company (“Date of Final Payment”, which shall not be later than 30 June 2018). Among which, RMB891,917,843.36 shall be paid to the account of Mr. Lin Kewen as shown in this Agreement, and RMB71,145,424.12 shall be paid to the account of Mr. Lin Leiyuan as shown in this Agreement.
 - 1) If the Company fails to pay the Final Payment in full before 30 June 2018, the Company shall pay the interest on the outstanding amount of the Final Payment payable per each day delayed at an annual interest rate of 4% accrued from 1 July 2018 to the actual payment date to the Vendors.

- 2) If the Company fails to pay the Final Payment and the corresponding interest (if any) in full before 31 July 2018, the Company shall pay the interest on the sum of the outstanding amount of the Final Payment payable and the interest calculated based on item (2)1) as of 31 July 2018 per each day delayed at an annual interest rate of 8% accrued from 1 August 2018 to the actual payment date of the amount payable in full to the Vendors in addition to the amount stated in item (2)1).
- 3) If the Company fails to pay the Final Payment and the corresponding interest (if any) in full before 31 August 2018, the Company shall pay the interest on the sum of the outstanding amount of the Final Payment payable and the interest calculated based on items (2)1) and (2)2) as of 31 August 2018 per each day delayed at an annual interest rate of 12% accrued from 1 September 2018 to the actual payment date of the amount payable in full to the Vendors in addition to the amount stated in items (2)1) and (2)2).
- 4) If the Company fails to pay the Final Payment and the corresponding interest (if any) in full before 30 September 2018, the Vendors have the right to: (A) unilaterally terminate this Agreement, and the Company shall pay the liquidated damages of RMB100 million to the Vendors in addition to the corresponding interest on the Final Payment pursuant to items (2)1), (2)2) and (2)3); or (B) adjust the target equity interest of this transaction to “23.45% equity interest of Shanghai Huiran”. In such case, (i) the entire amount paid by the Company to the Vendors under this Agreement shall be considered as the consideration for the Company to acquire 23.45% equity interest of Shanghai Huiran and will not be refunded to the Company; (ii) the Company shall make all necessary efforts to sign all necessary documents to transfer 100% equity interest of Shanghai Ruyu and 25.55% equity interest of Shanghai Huiran back to the Vendors with the minimum cost and consideration undertaken by the Vendors (if necessary, not exceeding the amount under the item (iii) below), so that such equity interest can be restored to the status prior to the completion of this transaction; accordingly, (iv) the Company shall pay the liquidated damages of RMB100 million and the interest calculated pursuant to this item 3.1(2) to the Vendors.

The Company will satisfy the Consideration by internal resources and self financing.

Basis of the Consideration

Shanghai Ruyu

The valuer of the subject of the transaction is Yinxin Appraisal Co., Ltd., which is qualified for asset valuation (Cai Ban Qi [2012] No. 8). In accordance with the Valuation Report on Entire Shareholders' Equity Value of Shanghai Ruyu Energy Investment Co. Ltd. Involved in the Proposed Equity Acquisition by Shanghai Dazhong Public Utilities (Group) Co., Ltd. (Yin Xin Zi Bao Zi (2018) Hu No. 156) (《上海大眾公用事業(集團)股份有限公司擬股權收購所涉及的上海儒馭能源投資有限公司股東全部權益價值估值報告》(銀信諮報字(2018)滬第156號)), the valuation object is the entire shareholders' equity of Shanghai Ruyu and the valuation scope is all the assets and liabilities of Shanghai Ruyu, including current assets, non-current assets and liabilities. The valuation date is 31 December 2017, the type of value is the market value and the valuation method is the asset-based method. Given that Shanghai Ruyu held 25% equity investment in Jiangyin Tianli Gas Co., Ltd. at the valuation date and did not achieve control of it, no valuation personnel has been arranged to carry out on-site investigation of Jiangyin Tianli Gas Co., Ltd. in this valuation. The valuation personnel obtained the industrial and commercial materials and annual audit reports of Jiangyin Tianli Gas Co., Ltd. and estimated the entire shareholders' equity value of Jiangyin Tianli Gas Co., Ltd. by adopting the market method based on the financial information obtained in the audit reports. By adopting the aforesaid valuation methods and valuation procedures, the carrying amount of the entire shareholders' equity of the valuation object at the valuation date (i.e 31 December 2017) was RMB160.087 million, and the valuation conclusion using the asset-based method was RMB1,045.6969 million, representing an increase of RMB885.6099 million or 553.21% as compared to the carrying amount of the entire shareholders' equity.

Shanghai Huiran

The valuer of the subject of the transaction is Yinxin Appraisal Co., Ltd., which is qualified for asset valuation (Cai Ban Qi [2012] No. 8). In accordance with the Valuation Report on Entire Shareholders' Equity Value of Shanghai Huiran Investment Co. Ltd. Involved in the Proposed Equity Acquisition by Shanghai Dazhong Public Utilities (Group) Co., Ltd. (Yin Xin Zi Bao Zi (2018) Hu No. 157) (《上海大眾公用事業(集團)股份有限公司擬股權收購所涉及的上海慧冉投資有限公司股東全部權益價值估值報告》(銀信諮報字(2018)滬第157號)), the valuation object is the entire shareholders' equity of Shanghai Huiran and the valuation scope is all the assets and liabilities of Shanghai Huiran, including current assets, non-current assets and liabilities. The valuation date is 31 December 2017, the type of value is the market value and the valuation method is the asset-based method. Given that Shanghai Huiran held 22.5% equity investment in Jiangyin Tianli Gas Co., Ltd. at the valuation date and did not achieve control of it, no valuation personnel has been arranged to carry out on-site investigation of Jiangyin Tianli Gas Co., Ltd. in this valuation. The valuation

personnel obtained the industrial and commercial materials and annual audit reports of Jiangyin Tianli Gas Co., Ltd. and estimated the entire shareholders' equity value of Jiangyin Tianli Gas Co., Ltd. by adopting the market method based on the financial information obtained in the audit reports. By adopting the aforesaid valuation methods and valuation procedures, the carrying amount of the entire shareholders' equity of the valuation object at the valuation date (i.e 31 December 2017) was RMB160.7669 million, and the valuation conclusion using the asset-based method was RMB1,042.0145 million, representing an increase of RMB881.2476 million or 548.15% as compared to the carrying amount of the entire shareholders' equity.

Conditions precedent

The parties agree that the Company shall be obligated to pay the Final Payment in accordance with the payment deadline, provided that all of the following conditions precedent are satisfied or waived by Company:

- 1) All the transaction documents are properly executed by the parties in relation to the equity transfer. The statements and guarantees of each party set out in this Agreement are true, accurate and complete in all material aspects. As of the date of this Agreement, this transaction has been unanimously approved by the general meeting and executive Directors of the Target Companies by a resolution or minutes. Subject to the conditions precedent to changes of business registration being satisfied or waived by the Vendors, the changes in the registration with the bureau of industry and commerce in respect of equity transfer have completed.
- 2) The changes in the registration with the bureau of industry and commerce in respect of equity transfer by the Vendors should be subject to the full payment of the First Installment to the Vendors by the Company in accordance with item (1) above as scheduled ("**Conditions Precedent to Changes of Business Registration**"). Until payment of the First Installment by the Company in accordance with item (1) above, the Vendors have the right not to cooperate with the changes of business registration procedures for the equity transfer, which shall not constitute a breach of this Agreement on the part of the Vendors.
- 3) Each party shall do its best effort to facilitate the satisfaction of the conditions precedent to closing and Conditions Precedent to Changes of Business Registration set out in items 1) and 2) above.

- 4) The Company is entitled to waive all or part of the conditions precedent to closing as set out in item 1), while such exemption shall not be valid unless in writing. The Vendors are entitled to waiver all or part of the Conditions Precedent to Changes of Business Registration as set out in clause item 2) above, while such waiver shall not be valid unless in writing.

Completion

The closing date shall be the fifth (5) working day after the date on which the parties agreed and unanimously confirmed that the conditions precedent to the closing had been satisfied or waived appropriately by the Company as agreed in the Agreement, or such other day as the parties may agree.

INFORMATION ON THE TARGET COMPANIES

Shanghai Huiran

Shanghai Huiran is a company established in the PRC with limited liability which is owned as to 89% and 11% by Mr. Lin Kewen and Mr. Lin Leiyan respectively. Shanghai Huiran is principally engaged in the industrial investment, enterprise management consulting and business information consultation.

Set out below is a summary of the audited financial information on the Shanghai Huiran prepared in accordance with the PRC Generally Accepted Accounting Principles for the two years ended 31 December 2017:

	As at 31 December 2016 (RMB) (audited)	As at 31 December 2017 (RMB) (audited)
Total assets	277,122,990.44	282,240,255.02
Total liabilities	197,647,813.16	121,473,397.31
Net assets	79,465,177.28	160,766,857.71

	Year ended 31 December 2016 (RMB) (audited)	Year ended 31 December 2017 (RMB) (audited)
Operating revenue	0	0
Net profit/(loss) before taxation	76,470,506.85	83,356,569.47
Net profit/(loss) after taxation	74,612,908.97	81,301,680.43

Shanghai Ruyu

Shanghai Ruyu is a company established in the PRC with limited liability which is owned as to 89% and 11% by Mr. Lin Kewen and Mr. Lin Leiyan respectively. Shanghai Ruyu is principally engaged in the technology development, technology consulting, technology transfer and technical services in energy technology area.

Set out below is a summary of the audited financial information on Shanghai Ruyu prepared in accordance with the PRC Generally Accepted Accounting Principles for the two years ended 31 December 2017:

	As at 31 December 2016 (RMB) (audited)	As at 31 December 2017 (RMB) (audited)
Total assets	278,720,319.93	275,287,773.34
Total liabilities	202,122,184.60	115,200,734.72
Net assets	76,598,135.33	160,087,038.62

	Year ended 31 December 2016 (RMB) (audited)	Year ended 31 December 2017 (RMB) (audited)
Operating revenue	0	0
Net profit/(loss) before taxation	76,598,135.33	83,488,903.29
Net profit/(loss) after taxation	76,598,135.33	83,488,903.29

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is a public utilities service provider and is principally engaged in the provision of public utilities such as piped gas supply, wastewater treatment and public infrastructure projects.

The Company directly and indirectly held in aggregate 37.2255% equity interest in Jiangyin Tianli Gas Co., Ltd. (“**Jiangyin Tianli**”) by acquiring the equity interest in Shanghai Ruyu and Shanghai Huiran. Jiangyin Tianli Gas Co., Ltd. is a company based in Jiangyin City, Jiangsu Province with urban pipeline gas operation as its principal business. Given that (1) Shanghai Ruyu directly held 25% equity interest of Jiangyin Tianli, representing RMB29.8750 million in the registered capital of Jiangyin Tianli; (2) Shanghai Huiran directly held 22.5% equity interest of Jiangyin Tianli, representing RMB26.8875 million in the registered capital of Jiangyin Tianli; (3) Lin Leiyuan held 1% of Jiangyin Shenghongda as its general partner, Shanghai Huiran held 49% of Jiangyin Shenghongda as its limited partner, Jiangyin Shenghongda directly held 5% equity interest of Jiangyin Tianli (representing RMB5.975 million in the registered capital of Jiangyin Tianli); the Company directly and indirectly held in aggregate 37.2255% equity interest in Jiangyin Tianli by acquiring the equity interest in Shanghai Ruyu and Shanghai Huiran. This transaction enabled the Company to increase its proportion of investment in the gas industry, and therefore exerted a positive impact on the Company’s overall profitability in the gas business. The equity transfer is based on mutual agreement and the pricing of which is in line with the market fair value mechanism on the basis of the principles of equality, openness and fairness, without jeopardising the interests of the Company and other shareholders, especially the minority shareholders, the Directors are of the view that the Acquisition will enable the Group to strengthen its profitability and growth potential.

Having considered the above, the Directors are of the view that the Acquisition is fair and reasonable and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Hong Kong Listing Rules and is therefore subject to the reporting and announcement requirements under the Hong Kong Listing Rules.

DEFINITIONS

“Acquisition”	the proposed acquisition of the Target Interests by the Company from the Vendors pursuant to the Agreement;
“Agreement”	the sale and purchase agreement entered into between the Company and the Vendors on 18 May 2018 in relation to the Acquisition;
“Board”	the board of Directors;
“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 established in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“Completion”	the completion of the Acquisition contemplated under the Agreement;
“Completion Date”	the fifth (5) working day after the date on which the parties agreed and unanimously confirmed that the conditions precedent to the closing had been satisfied or waived appropriately by the Company, or such other day as the parties may agree;
“Connected Persons”	has the same meaning ascribed to it under the Hong Kong Listing Rules;
“Consideration”	the consideration in respect of the Acquisition;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons;
“Mr. Lin Kewen”	Mr. Lin Kewen (林克文), the beneficial owner of 89% equity interests in each of Shanghai Ruyu and Shanghai Huiran;
“Mr. Lin Leiyuan”	Mr. Lin Leiyuan (林磊淵), the beneficial owner of 11% equity interests in each of Shanghai Ruyu and Shanghai Huiran;
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Huiran”	Shanghai Huiran Investment Co., Ltd.* (上海慧冉投資有限公司), a company established in the PRC with limited liability which is owned as to 89% and 11% by Mr. Lin Kewen and Mr. Lin Leiyuan respectively as at the date of this announcement;
“Shanghai Listing Rules”	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange;
“Shanghai Ruyu”	Shanghai Ruyu Energy Investment Co., Ltd.* (上海儒馭能源投資有限公司), a company established in the PRC with limited liability which is owned as to 89% and 11% by Mr. Lin Kewen and Mr. Lin Leiyuan respectively as at the date of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Companies”	Shanghai Huiran and Shanghai Ruyu;

“Target Interests”	100% equity interests in Shanghai Ruyu and 49% equity interests in Shanghai Huiran;
“Vendors”	Mr. Lin Kewen and Mr. Lin Leiyuan; and
“%”	per cent.

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

Shanghai, the People’s Republic of China
18 May 2018

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.

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