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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)**

**CONNECTED TRANSACTIONS  
REGARDING EQUITY TRANSFERS OF  
SHANGHAI ELECTRONIC INTELLIGENCE SYSTEM CO., LTD.**

**THE CONTRACT**

On 11 December 2018, the Company, Junxiang Industrial and Hongjie Investment as Transferors, and SCGI and SEARI as Transferees, entered into the Contract. Pursuant to the Contract, the Transferors agreed to transfer 12,000,000 shares of the Target held by them (representing 8% of total equity of the Target) to the Transferees.

**THE CAPITAL INJECTION AGREEMENT**

On 11 December 2018, SEARI, the Company, Junxiang Industrial, Hongjie Investment, Dazhong Technology, Shanghai Electronic Venture and SCGI also entered into the Capital Injection Agreement. Pursuant to the Capital Injection Agreement, all parties agreed that the increased amount in registered capital of the Target was unilaterally subscribed by SCGI for a consideration of RMB199,740,000, of which RMB50,000,000 would be contributed to the registered capital of the Target, while the remaining RMB149,740,000 would be credited to the capital reserve of the Target as premium. Upon the completion of such capital injection, the registered capital of the Target would increase to RMB200,000,000 from RMB150,000,000.

Upon the completion of the Transactions, the interest held by the Company in the Target would reduce from 28% to 16.625%.

\* For identification purpose only

## **LISTING RULES IMPLICATIONS**

Junxiang Industrial is a wholly-owned subsidiary of Shanghai Dazhong Business Management, the substantial shareholder of the Company and therefore is a connected person of the Company. The Transactions contemplated under the Contract and the Capital Injection Agreement constitute connected transactions for the Company under the Listing Rules. Since one or more of the applicable percentage ratios as aggregated under the Transactions is more than 0.1% but less than 5%, the Transactions are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 11 December 2018, the Company, Junxiang Industrial and Hongjie Investment as Transferors, and SCGI and SEARI as Transferees, entered into the Contract. And on the same date, SEARI, the Company, Junxiang Industrial, Hongjie Investment, Dazhong Technology, Shanghai Electronic Venture and SCGI also entered into the Capital Injection Agreement.

Pursuant to the Contract, the Transferors agreed to transfer 12,000,000 shares of the Target held by them (representing 8% of total equity of the Target) to the Transferees. Of which, 8,750,000 shares, 3,000,000 shares and 250,000 shares were transferred by each of Company, Junxiang Industrial and Hongjie Investment, representing 5.83%, 2% and 0.17% of total equity of the Target, respectively. SCGI acquired 8,750,000 shares and 1,250,000 shares from the Company and Junxiang Industrial, respectively. SEARI acquired 1,750,000 shares and 250,000 shares from Junxiang Industrial and Hongjie Investment, respectively.

## **THE CONTRACT**

The principal terms of the Contract are summarised as follows:

Date: 11 December 2018

Parties: (1) The Company (as transferor) agreed to transfer 8,750,000 shares of SEISYS held by the Company (representing 5.83% of total equity of Target) to SCGI (as transferee) at a consideration of RMB34,955,000.

- (2) Junxiang Industrial (as transferor) agreed to transfer 1,250,000 shares and 1,750,000 shares of the Target held by Junxiang Industrial (representing approximately 0.83% and 1.17% of total equity of the Target) to SCGI (as transferee) and SEARI (as transferee), at a total consideration of RMB11,984,000.
- (3) Hongjie Investment (as transferor) agreed to transfer 250,000 shares of Target held by Hongjie Investment (representing 0.17% of total equity of the Target) to SEARI (as transferee), at a consideration of RMB998,700.

**Consideration:**

The total consideration of the Contract was RMB47,938,200, of which the consideration of the respective shares of Target transferred by the Company, Junxiang Industrial and Hongjie Investment were RMB34,955,000, RMB11,984,500 and RMB998,700, respectively.

The consideration was determined after negotiation among the parties with reference to the Valuation Report prepared by Shanghai Zhonghua Assets Appraisal Co., Ltd. as of 31 December 2017.

**Valuation:**

According to the valuation by adopting the asset-based approach, as at 31 December 2017, the book value and the appraised value of the total assets of the Target were RMB1,278,576,120.55 and RMB1,342,269,142.33, and the revaluation surplus was RMB63,693,021.78; the book value and the appraised value of the total liabilities were RMB1,032,549,562.46 and RMB1,014,193,302.46, and the revaluation impairment was RMB18,356,260.00. The book value and the appraised value of shareholders' total equity were RMB246,026,558.09 and RMB327,978,065.64, and the revaluation surplus was RMB81,951,507.55, representing a rate of increment of 33.31%.

According to the valuation by adopting the income approach, as at 31 December 2017, the value of shareholders' total equity of the Target was RMB599,228,000.

As the Target has been operating for years with established business model and management level as well as stable business indicators, under normal circumstances and in the foreseeable future, the Target is developing steadily with good profitability and the results can fully reflect the overall growth and profitability of the Target which cannot be reflected by adopting the asset-based approach. Therefore, income approach was adopted in the valuation, that is, as at 31 December 2017, the appraised value of shareholders' total equity of the Target was RMB599,228,000.00.

**Payment by installment:** The first payment (including deposit) of RMB33,560,000 shall be paid by the Transferees to the Transferors' designated account within 5 working days after the Contract has taken place; and the remaining amount of RMB14,378,200 shall be settled by the Transferees to the Transferors within 5 working days after the completion date of the amended article of association of the Target.

The specific payment method of the first payment (including deposit):

RMB24,470,000 and RMB3,500,000 of the first payment shall be paid by SCGI to the Company and Junxiang Industrial respectively; RMB4,890,000 and RMB700,000 of the first payment shall be paid by SEARI to Junxiang Industrial and Hongjie Investment respectively.

The specific payment method of the remaining amount:

RMB10,485,000 and RMB14,935,000 shall be paid by SCGI to the Company and Junxiang Industrial respectively; RMB2,101,000 and RMB298,700 shall be paid by SEARI to Junxiang Industrial and Hongjie Investment respectively.

**Others:** The taxes involved in Equity Transfer shall be paid in accordance with relevant regulations in the PRC. The fees arising from the Equity Transfer in the Contract shall be borne by the Target.

Liabilities on default: In the event that the Transferees fail to pay the consideration according to the schedule, the Transferees shall pay the Transferors 1‰ of the outstanding consideration for per day of delay as liquidated damages. Should such delay exceeds 30 days, the Transferors shall have the right to terminate the Contract and to claim damages from the Transferees.

In the event that the Transferors fail to provide necessary supports to the Transferees to complete the transfer of the ownership of the equity interests according to the schedule, the Transferors shall pay the Transferees 1‰ of the consideration for per day of delay as liquidated damages. Should such delay exceeds 30 days, the Transferees shall have the right to terminate the Contract and to claim damages from the Transferors.

## **THE CAPITAL INJECTION AGREEMENT**

The principal terms of the Capital Injection Agreement are summarised as follows:

Date: 11 December 2018

Parties: The Company, Junxiang Industrial, Hongjie Investment, Dazhong Technology, Shanghai Electronic Venture and SCGI

Consideration: Pursuant to the Capital Injection Agreement, all parties agreed that the increased amount in registered capital of the Target was unilaterally subscribed by SCGI for a consideration of RMB199,740,000, of which RMB50,000,000 would be contributed to the registered capital of the Target, while the remaining RMB149,740,000 would be credited to the capital reserve of the Target as premium. Upon the completion of such capital injection, the registered capital of the Target would increase to RMB200,000,000 from RMB150,000,000.

Upon the completion of the Transactions, 16.625%, 1.5% and 1.875% of shares of the Target would be held by the Company, Junxiang Industrial and Dazhong Technology, respectively.

Valuation: Please refer to the valuation of the Target under the paragraph headed “The Contract”.

## CERTAIN FINANCIAL INFORMATION ON THE TARGET

Set out below is certain financial information of the Target as of 31 December 2016 and 31 December 2017 prepared based on the PRC generally accepted accounting principles:

	<b>As at</b> <b>31 December 2016</b> (RMB) (audited)	<b>As at</b> <b>31 December 2017</b> (RMB) (audited)
Total assets	1,091,383,837.51	1,298,132,212.93
Total liabilities	848,285,681.15	1,041,405,864.66
Net assets	243,098,156.36	256,726,348.27

  

	<b>Year ended</b> <b>31 December 2016</b> (RMB) (audited)	<b>Year ended</b> <b>31 December 2017</b> (RMB) (audited)
Operating revenue	920,503,604.12	1,079,276,444.11
Net profit/(loss) before taxation	37,221,877.27	53,051,483.54
Net profit/(loss) after taxation	34,446,587.49	53,051,483.54

## INFORMATION ON THE TRANSFERORS

The principal business of the Company is the provision of public utility services. It also engages in strategic and financial investments in associated companies in public utility and other industries. The Company is the leading public utility service provider in Shanghai.

Junxiang Industrial is a wholly-owned subsidiary of Shanghai Dazhong Business Management, the substantial shareholder of the Company. The principal business of Junxiang Industrial is investment management. The principal business of the Shanghai Dazhong Business Management includes taxi operation service, investment management service, investment consulting service and sales of auto parts.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Hongjie Investment is an independent third party of the Group. The principal business of Hongjie Investment is industrial investment, sales, mechanical and electrical products and installation of equipment, automation components and control systems, computer hardware and software, testing equipment and equipment, metal materials and above professional technical development, technical consulting, technical services, technology transfer, engineering design and consulting (excluding consulting), complete sets

of engineering equipment and installation and commissioning, engaged in the import and export of goods and technology, the design and construction of public safety prevention projects, information technology and transportation, technical services, technical consulting, technology development, technology transfer, product sales, information technology, automotive metering, IC card readers, communication equipment production, computer software technology development, technology service and sales, taxi metering, communication equipment maintenance, communication equipment, auto parts sales; e-commerce (excluding value-added telecommunications and financial services).

## **INFORMATION ON THE TRANSFEREES**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SCGI is an independent third party of the Group. Its principal business includes industrial and asset investment, investment management and consulting, financial advice (may not engage in agency accounting), technical development, consulting and services in the field of architectural engineering, construction of housing, municipal public works, highway construction projects, earth and stone construction projects, classic Chinese garden and ancient building construction projects, and greening works.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SEARI is an independent third party of the Group. Its principal business includes engaging in electromechanical products and installation equipment, automation components and control systems, computers and software, testing instruments and equipment, alloy materials, insulating materials and the above four technical services, engineering design and consulting, engineering equipment complete sets and installation and commissioning, import and export business, public safety prevention engineering design and construction, using its own media to publish advertisements, designing and producing various types of advertisements.

## **INFORMATION ON THE TARGET**

The Target is a joint stock limited company established in the PRC. Its principal business is intelligent transportation, rail transit, environmental protection and water treatment, intelligent building, intelligent security precaution, information management of urban large-scale public facilities, system integration in the field of intelligent management platform for urban operation, technology development, technical services, technical consultation, computer hardware and software product development and sales, mechanical and electrical equipment installation and complete sets, mechanical and electrical system operation and maintenance, engineering design, project contracting (by qualification), industrial investment, import and export of goods and technology.

## **INFORMATION ON DAZHONG TECHNOLOGY AND SHANGHAI ELECTRONIC VENTURE**

Dazhong Technology is a wholly owned subsidiary of Dazhong Transportation. Dazhong Transportation was directly and indirectly owned as to 26.71% equity interest by the Group. Dazhong Technology is principally engaged in the field of information technology and transportation, technical services, technical consulting, technology development, technology transfer, product sales, information technology, automotive metering, IC card readers, communication equipment production, computer software technology development, technology service and sales, taxi metering, communication equipment maintenance, communication equipment, auto parts sales, and e-commerce (excluding value-added telecommunications and financial services).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shanghai Electronic Venture is an independent third party of the Group. The principal business of Shanghai Electronic Venture is industrial investment, electromechanical and installation of equipment, industrial automation and control systems, computer and computer software, testing instruments and equipment, alloy materials, insulating materials, technical expertise, engineering design and consulting, engineering equipment, installation and commissioning, public safety protection engineering design and construction.

## **REASONS FOR THE TRANSACTIONS**

The Transactions are in light of new strategic investors introduced by the Target, which is beneficial for the enhancement in internal management and increase of business of the Target, and will enable the Target to strengthen its future competitiveness. Meanwhile, the Equity Transfer will increase the investment income for the Company, which has a positive effect on the Company's net profit for the year.

The Transactions are conducted based on the valuation of the Target as assessed by an independent valuation firm, the consideration of which has been determined based on the principle of fairness and reasonableness, and is without prejudice to the interests of the Company. Therefore, the Directors (including the independent non-executive Directors) consider that the terms of the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.



According to the relevant PRC laws and regulations, Mr. Yang Guoping (楊國平) and Mr. Liang Jiawei (梁嘉瑋), who are the executive Directors of the Company, were required and had abstained from voting at the fourteenth meeting of the tenth session of the board of Directors of the Company approving the Transactions. Save as disclosed above, none of the Directors has any material interest in the Transactions and thus be required to abstain from voting on the relevant board resolutions of the Company.

## **USE OF PROCEEDS**

Upon completion of the Transactions, the Company will hold 16.625% equity interest in the Target.

Based on the consideration of RMB34,955,000 for the Equity Transfer, it is presently expected that, for illustrative purposes only, an unaudited gain of approximately RMB10,788,750 will be recognised from the Equity Transfer.

Shareholders should note that the above figures are for illustrative purposes only and the actual gain recognised from the Equity Transfer will be subject to review by the Group's auditors upon finalisation of the consolidated financial statements of the Group.

The proceeds of the Equity Transfer will be used to replenish the working capital required for the daily operation of the Group and will not have material impacts on the financial position and operating results of the Group.

## **LISTING RULES IMPLICATIONS**

Junxiang Industrial is a wholly-owned subsidiary of Shanghai Dazhong Business Management, the substantial shareholder of the Company and therefore is a connected person of the Company. 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 Transactions contemplated under the Contract and the Capital Injection Agreement constitute connected transactions for the Company under the Listing Rules. Since one or more of the applicable percentage ratios as aggregated under the Transactions is more than 0.1% but less than 5%, the Transactions are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

“Board”	the board of Directors of the Company
Capital Injection Agreement	the Capital Injection Agreement of Shanghai Electronic Intelligence System Co., Ltd.* (《上海電科智能系統股份有限公司增資協議》) dated 11 December 2018 entered into among the Company, Junxiang Industrial, Hongjie Investment, Dazhong Technology, Shanghai Electronic Venture and SCGI
“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 established in the PRC on 1 January 1992, whose A shares and H shares have been listed on the Shanghai Stock Exchange since 4 March 1993 (stock code: 600635.SH) and the Main Board of the Stock Exchange since 5 December 2016 (stock code: 1635)
“Contract”	the Shanghai Assets and Equity Exchange Contract* (《上海市產權交易合同》) in respect of the Equity Transfer dated 11 December 2018
“Dazhong Technology”	Shanghai Dazhong Technology Co., Ltd.* (上海大眾科技有限公司), a wholly-owned subsidiary of Dazhong Transportation
“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 established in the PRC on 6 June 1994, whose A shares (stock code: 600611.SH) and B shares (stock code: 900903.SH) have been listed on the Shanghai Stock Exchange since 7 August 1992
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the equity transfer of the Target between the Transferors and the Transferees pursuant to the Contract
“Group”	the Company and its subsidiaries

“Hongjie Investment”	Shanghai Hongjie Investment Co., Ltd.* (上海鴻捷投資有限公司), a limited liability company established in the PRC and an independent third party of the Group
“Junxiang Industrial”	Shanghai Junxiang Industrial Co., Ltd.* (上海珺祥實業有限公司), a limited liability company established in the PRC and a wholly owned subsidiary of Shanghai Dazhong Business Management
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it in the Listing Rules
“PRC”	The People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“SCGI”	Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司), a limited liability company established in the PRC and an independent third party of the Group
“SEARI”	Shanghai Electrical Apparatus Research Institute (Group) Co., Ltd.* (上海電器科學研究所(集團)有限公司), a limited liability company established in the PRC and an independent third party of the Group
“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 established in the PRC on 10 March 1995 and the substantial shareholder of the Company
“Shanghai Electronic Venture”	Shanghai Electronic Venture Investment Co., Ltd.* (上海電科創業投資有限公司), a limited liability company established in the PRC and an independent third party of the Group

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target”	Shanghai Electronic Intelligence System Co., Ltd.* (上海電科智能系統股份有限公司), a joint stock limited company established in the PRC
“Transactions”	the Contract and the Capital Injection Agreement
“Transferees”	SCGI and SEARI
“Transferors”	the Company, Junxiang Industrial and Hongjie Investment
“Valuation Report”	the valuation report as of 31 December 2017, which assessed the value of the shareholders’ total equity of the Target

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

Shanghai, the People’s Republic of China  
11 December 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 purpose only