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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 TRANSACTION
JOINT ARRANGEMENT**

Reference is made to the announcement dated 13 March 2017 of Shanghai Dazhong Public Utilities (Group) Co, Ltd.* (the “**Company**”) in relation to the subscription of interest in a fund (the “**Fund Announcement**”). Unless otherwise specified, terms used in this announcement shall have the same meanings as defined in the Fund Announcement.

JOINT ARRANGEMENT

On 14 July 2017, the Company and Shanghai Dazhong Business Management entered into a transfer agreement (the “**Transfer Agreement**”), pursuant to which the Company agreed to transfer its capital commitment of RMB300 million (equivalent to approximately HK\$345.6 million) (the “**Target**”) to Shanghai Dazhong Business Management at nil consideration.

On 14 July 2017, the Company and Shanghai Dazhong Business Management entered into a supplemental agreement to the Transfer Agreement (the “**Supplemental Transfer Agreement**”), pursuant to which the Company agreed to enjoy profits and bear losses incurred by the projects prior to the Completion (the “**Initial Projects**”) in proportion to its Initial Paid-up Contribution. Shanghai Dazhong Business Management does not have any interests in the Initial Projects. The Company and Shanghai Dazhong Business Management further agreed to enjoy profits and bear losses incurred by the projects after the Completion in proportion to their respective paid-up contribution to the Fund.

Since (1) the consideration is nil, and (2) Shanghai Dazhong Business Management does not enjoy profits and bear losses incurred by the projects prior to the Completion, the transfer of capital commitment from the Company to Shanghai Dazhong Business Management is deemed to be a joint arrangement (the “**Joint Arrangement**”) by the Company and Shanghai Dazhong Business Management for the purpose of connected transaction analysis.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Dazhong Business Management is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the entering into the Transfer Agreement constitutes a connected transaction for the Company under the Listing Rules.

As all of the relevant percentage ratios in respect of the capital commitment to be provided by the Company for the Joint Arrangement exceed 0.1% but are less than 5%, the Transfer Agreement and Joint Arrangement deemed to be contemplated thereby constitute a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Joint Arrangement

On 14 July 2017, the Company and Shanghai Dazhong Business Management entered into the Transfer Agreement, pursuant to which the Company agreed to transfer the Target to Shanghai Dazhong Business Management at nil consideration.

On 14 July 2017, the Company and Shanghai Dazhong Business Management entered into the Supplemental Agreement, pursuant to which the Company agreed to enjoy profits and bear losses incurred by the Initial Projects in proportion to its Initial Paid-up Contribution. Shanghai Dazhong Business Management does not have any interests in the Initial Projects. The Company and Shanghai Dazhong Business Management further agreed to enjoy profits and bear losses incurred by the projects after the Completion in proportion to their respective paid-up contribution to the Fund.

Since (1) the consideration is nil, and (2) Shanghai Dazhong Business Management does not enjoy profits and bear losses incurred by the projects prior to the Completion, the transfer of capital commitment from the Company to Shanghai Dazhong Business Management is deemed to be a Joint Arrangement by the Company and Shanghai Dazhong Business Management for the purpose of connected transaction analysis.

PRINCIPAL TERMS OF THE TRANSFER AGREEMENT

The principal terms of the Transfer Agreement are summarized as follows:

Date: 14 July 2017

Parties: the Company

Shanghai Dazhong Business Management

Target

The Company agreed to transfer and Shanghai Dazhong Business Management agreed to acquire the Target, which constitutes approximately 18.072% of the total Interest in the Fund as of the date of the Transfer Agreement. Shanghai Dazhong Business Management will accept the assignment of all the Company's rights, benefits, responsibilities, liabilities, obligations, duties, burden and restrictions attached to the Target by virtue of and pursuant to the Limited Partnership Agreement, with effect from the date of the Transfer Agreement.

Consideration

Since the Company has not paid any capital contribution relating the Target that it subscribed to, it agreed to transfer the Target at nil consideration.

Effectiveness

Upon entering into of the Transfer Agreement, Shanghai Dazhong Business Management agrees to be bound by all the terms of the Limited Partnership Agreement in respect of the Interest.

PRINCIPAL TERMS OF THE SUPPLEMENTAL TRANSFER AGREEMENT

The principal terms of the Supplemental Transfer Agreement are summarized as follows:

Date: 14 July 2017

Parties: the Company

Shanghai Dazhong Business Management

Prior to the Joint Arrangement, the Company made a total paid-up contribution of RMB500 million (equivalent to approximately HK\$576 million) to the Fund with respect to the undertaking to make a capital contribution of RMB1,000 million (equivalent to approximately HK\$1,152 million). After Completion of the Joint Arrangement, the Company and Shanghai Dazhong Business Management agreed to further contribute RMB200 million (equivalent to approximately HK\$230.4 million) and RMB300 million (equivalent to approximately HK\$345.6 million), respectively, to the Fund.

According to the Supplemental Agreement, the Company agreed to enjoy profits and bear losses incurred by the Initial Projects and Shanghai Dazhong Business Management does not have any interests in the Initial Projects. Upon exit from the Initial Projects, the General Partner will distribute any available profits attributable to the Initial Projects to the Company in proportion to its Initial Paid-up Contribution directly. The Company and Shanghai Dazhong Business Management further agreed to enjoy profits and bear losses incurred by the projects after the Completion in proportion to their respective paid-up contribution to the Fund.

Upon Completion, the Company will hold approximately 42.168% of the total Interest in the Fund and Shanghai Dazhong Business Management will hold approximately 18.072% of the total Interest in the Fund.

INFORMATION ON THE COMPANY

The principal business of the Company is the provision of public utility services in Shanghai. 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.

INFORMATION ON SHANGHAI DAZHONG BUSINESS MANAGEMENT

Shanghai Dazhong Business Management is mainly engaged in corporate management, investment management and investment consultancy.

INFORMATION ON THE FUND

The investment policy of the Fund focuses on strategic investments in equity and industrial merger and acquisition transactions, mezzanine investments, management buyouts, bridge financings, financial investments prior to backdoor listing, takeover bids and provision of cash options.

THE FINANCIAL INFORMATION OF THE FUND FOR THE LATEST YEAR AND LATEST PERIOD

The unaudited combined financial information of the Fund during the year ended 31 December 2016 and three months ended 31 March 2017 prepared in accordance with Chinese Accounting Standards for Business Enterprises is set out below:

	(Unit: RMB million)	
	31 December 2016	31 March 2017
Total assets	0	830
Operating income	0	0
Net profit	0	0
Auditing status	Unaudited	Unaudited

REASONS FOR THE JOINT ARRANGEMENT

The Joint Arrangement is based on the strategic considerations of the Company, allowing both the Company and Shanghai Dazhong Business Management to take their respective advantages in investment projects, improving the efficiency of funds usage of the Company.

The transfer has been agreed by the Limited Partners of the Fund.

Mr. Yang Guoping and Mr. Liang Jiawei, who are Directors of the Company, are treated as having material interests in this Joint Arrangement, and thus have abstained from voting regarding the resolutions proposed for this Joint Arrangement by the Board of Directors. Save as disclosed above, none of the other Directors shall abstain from voting regarding the resolution of the Board of Directors due to having material interests in the Joint Arrangement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Dazhong Business Management is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the entering into the Transfer Agreement constitutes a connected transaction for the Company under the Listing Rules.

Since (1) the consideration is nil, and (2) Shanghai Dazhong Business Management does not enjoy profits and bear losses incurred by the projects prior to the Completion, the transfer of capital commitment from the Company to Shanghai Dazhong Business Management is deemed to be a Joint Arrangement by the Company and Shanghai Dazhong Business Management for the purpose of connected transaction analysis.

As all of the relevant percentage ratios in respect of the capital commitment to be provided by the Company for the Joint Arrangement exceed 0.1% but are less than 5%, the Transfer Agreement and Joint Arrangement deemed to be contemplated thereby constitute a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meaning:

“Business Day(s)”	a day (other than Saturdays or Sundays) that is not a national holiday or a public holiday in the PRC
“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 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)
“Completion”	completion of the Joint Arrangement, i.e. date of the Transfer Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party independent of the Company and its subsidiaries and connected persons
“Initial Paid-up Contribution”	the amount which the Company has contributed to the Fund prior to the Completion, i.e. RMB500 million, equivalent to approximately HK\$576 million
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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 10 March 1995 and the substantial Shareholder of the Company
“Share(s)”	H share(s) in the capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.152. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Shanghai, the People’s Republic of China
14 July 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.

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