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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 AND
CONTINUING CONNECTED TRANSACTION
TITLE TRANSFER AND LEASEBACK OF ASSETS**

TITLE TRANSFER AND LEASEBACK OF ASSETS

On 23 July 2018, Shanghai 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. The Assets were transferred from Shanghai Dazhong Business Management and Shanghai Dazhong Xingguang to Shanghai Dazhong Financial Leasing. Meanwhile, the Assets shall be leased back to Shanghai Dazhong Business Management and Shanghai Dazhong Xingguang 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》).

LISTING IMPLICATION

Connected transaction

Shanghai 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 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.

Continuing connected transactions

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.

INTRODUCTION

On 23 July 2018, Shanghai 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. The Assets were transferred from Shanghai Dazhong Business Management and Shanghai Dazhong Xingguang to Shanghai Dazhong Financial Leasing. Meanwhile, the Assets shall be leased back to Shanghai Dazhong Business Management and Shanghai Dazhong Xingguang 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》).

TITLE TRANSFER AGREEMENT

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

Date: 23 July 2018

Parties: Transferor: Shanghai Dazhong Business Management, a substantial shareholder of the Company; and Shanghai Dazhong Xingguang, a subsidiary of Shanghai Dazhong Business Management

Transferee: Shanghai Dazhong Financial Leasing, a non-wholly owned subsidiary of the Company

Pursuant to the Title Transfer Agreement, the Transferors agreed to sell and the Transferee agreed to purchase the Assets at a consideration of RMB100 million, which was determined after negotiations between the parties with reference to the value of the Assets, being approximately RMB163 million with the operating licenses valued at approximately RMB126 million under the Valuation Report and with the taxis attributed a book value of approximately RMB37 million. The Consideration shall be paid in full by the Transferee to the Transferors within five (5) Business Days upon satisfaction of the following conditions:

- (i) The execution of the Title Transfer Agreement and the Leaseback Agreement, as well as all the attachments and legal documents;
- (ii) The Transferee having received a deposit of RMB5,000,000 under the Leaseback Agreement from the Transferors.

Effectiveness

The Title Transfer Agreement shall take effect upon execution of the Leaseback Agreement.

Transfer of Title

Upon payment of the Consideration by the Transferee to the Transferors, the title of the Assets will be transferred from the Transferors to the Transferee.

LEASEBACK AGREEMENT

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

Date: 23 July 2018

Parties: Lessee: Shanghai Dazhong Business Management, a substantial shareholder of the Company; and Shanghai Dazhong Xingguang, a subsidiary of Shanghai Dazhong Business Management

Lessor: Shanghai Dazhong Financial Leasing, a non-wholly owned subsidiary of the Company

Pursuant to the Leaseback Agreement, the Assets shall be leased back to the Lessees during the Lease Period at the total rent of RMB108,292,988.16, which was determined based on an annual rental rate of 4.99%, which was in turn determined after arm's length negotiation and with reference to the prevailing market practice. Such lease consideration shall be paid by the Lessees to the Lessor during the Lease Period in twelve (12) instalments on a quarterly basis.

Guarantee

At the request of the Lessor, the Lessee shall provide guarantee for his/her obligations under the Leaseback Agreement, including but not limited to collaterals, joint and several liability guarantee by third parties or other guarantee to the reasonable satisfaction of the Lessor.

If the Lessee's or guarantor's level of credit declines, or the value of the collaterals declines, or upon the occurrence of other event which would cause the Lessor to reasonably protect its own interests, the Lessee shall enhance its credit by providing other guarantees (including but not limited to warranties, charges, pledges), making additional margin payments or advancing rental payments as a supplement or replacement of the guarantees within ten (10) days as required by the Lessor. The Lessee shall immediately satisfy such requirements.

Annual Caps

The annual cap for the Leaseback under the Leaseback Agreement for each of the year upon the Leaseback Agreement becoming effective is RMB36,100,000, which is determined based on the annual rent payable by the Lessees to the Lessor pursuant to the Leaseback Agreement.

INFORMATION ON THE COMPANY AND THE TRANSFEREE/LESSOR

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. The Transferee/Lessor is a non-wholly owned subsidiary of the Company which principally engages in financial leasing activities.

INFORMATION ON THE TRANSFERORS/LESSEES

The principal business of the Shanghai Dazhong Business Management includes taxi operation service, investment management service, investment consulting service and sales of auto parts. The principal business of the Shanghai Dazhong Xingguang is taxi operation.

REASONS FOR THE TITLE TRANSFER AND LEASEBACK OF ASSETS

The Title Transfer and Leaseback of Assets are conducive to the expansion of the business scale and to the increase of stable income for the Transferee/Lessor. The qualifications of the Transferors/Lessees are satisfactory. The risks associated with the current finance lease is relatively small, and the rental return can be guaranteed with no damage to the interests of small and medium-sized shareholders.

The Directors (including the independent non-executive Directors) consider that the terms of the Title Transfer and Leaseback of Assets 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 tenth meeting of the tenth session of the board of Directors of the Company approving the Title Transfer Agreement and the Leaseback Agreement. Save as disclosed above, none of the Directors has any material interest in the Title Transfer and Leaseback of Assets and thus be required to abstain from voting on the relevant board resolutions of the Company.

LISTING RULES IMPLICATION

Connected transaction

Shanghai 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 is a wholly owned subsidiary of our substantial Shareholder, Shanghai Dazhong Business Management. In addition, Mr. Yang Guoping (楊國平) and Mr. Liang Jiawei (梁嘉璋), 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.

Continuing connected transactions

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.

USE OF PROCEEDS

The proceeds from the Title Transfer will be utilized as general working capital of the Transferors/Lessees.

DEFINITIONS

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| “Annual Caps” | the annual caps of the Leaseback under the section headed “Annual Caps” |
| “Assets” | the 560 taxis (with operating licenses) which form the subject matter under the Title Transfer Agreement and the Leaseback Agreement, among which 325 taxis (with operating licenses) belong to Shanghai Dazhong Business Management and 235 taxis (with operating licenses) belong to Shanghai Dazhong Xingguang |
| “Board” | the board of Directors of the Company |
| “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) |
| “Consideration” | the consideration pursuant to the Title Transfer Agreement, which is RMB100 million |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Lease Period” | a period of three (3) years which is expected to commence from the date of payment of the Consideration by the Lessor |
| “Leaseback” | the leaseback of Assets from the Lessor to the Lessees pursuant to the Title Transfer Agreement |

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| “Leaseback Agreement” | the leaseback agreement dated 23 July 2018 |
| “Lessees” | Shanghai Dazhong Business Management and Shanghai Dazhong Xingguang |
| “Lessor” | Shanghai Dazhong Financial Leasing |
| “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 |
| “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 |
| “Shanghai Dazhong Financial Leasing” | Shanghai Dazhong Financial Leasing Co., Ltd.* (上海大眾融資租賃有限公司), a limited liability company incorporated in the PRC on 19 September 2014 and owned as to 55% by the Company |
| “Shanghai Dazhong Xingguang” | Shanghai Dazhong Xingguang Taxi Co., Ltd.* (上海大眾星光出租汽車有限公司), a limited liability company incorporated in the PRC on 10 July 1990 and wholly owned by Shanghai Dazhong Business Management |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder(s)” | has the meaning ascribed to it in the Listing Rules |
| “Title Transfer” | the title transfer of Assets from the Transferor to the Transferees pursuant to the Title Transfer Agreement |

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| “Title Transfer Agreement” | the title transfer agreement dated 23 July 2018 |
| “Title Transfer and Leaseback of Assets” | Title Transfer and Leaseback |
| “Transferees” | Shanghai Dazhong Business Management and Shanghai Dazhong Xingguang |
| “Transferor” | Shanghai Dazhong Financial Leasing |
| “Valuation Report” | the valuation report dated 10 July 2018, which assessed the value of the operating licenses under the Assets using the market comparison approach |

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

Shanghai, the People’s Republic of China
23 July 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*