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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)

**VOLUNTARY ANNOUNCEMENT
REGARDING SIGNING OF CONCESSION AGREEMENT
BY OUR SUBSIDIARY**

Reference is made to the prospectus dated 23 November, 2016 (the “**Prospectus**”) of Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (the “**Company**”). Pursuant to the summary section and “Business – Our Public Utility Service Business – Piped Gas Supply Operations – Operations in the Absence of a Concession Agreement in Nantong Area” section of the Prospectus, our Company and our subsidiaries have been conducting our piped gas supply operations in Nantong Area of Jiangsu Province of the People’s Republic of China under gas operation permits issued by the competent government authorities. We did not hold any concession rights and did not enter into any concession agreement, primarily because the competent government authorities at the relevant time were still in the process of formulating regulatory procedures pursuant to which concession rights will be granted. The board of the Company is pleased to announce that, in order to further specify the rights and obligations of both parties, to provide an economical, safe, stable, efficient, convenient, high-quality and beneficial environmental protection and development of pipeline gas supply Industry and related services for all gas users and potential users within the scope of the concession right, Nantong Urban-rural Construction Bureau (南通市城鄉建設局) of Jiangsu Province and Nantong Dazhong Gas Co., Ltd.*(南通大眾燃氣有限公司) (“**Nantong Dazhong Gas**”) which is a subsidiary of our Company signed the supplementary Concession Agreement on Urban Pipeline Gas Supply in Nantong City (《南通市市區管道燃氣特許經營協議》) (the “**Agreement**”) on December 24, 2018. Set out below are the main terms of the Agreement and other information related to the Agreement.

* For identification purpose only

I. OVERVIEW OF THE AGREEMENT

Pursuant to the paragraph 3 of article 2 of the Document No. 81 of the minutes of the special meeting of Nantong Municipal People's Government (南通市人民政府專題會議紀要) on November 12, 2003, it stipulates the "Term of Joint Venture: 50 years" of Nantong Dazhong Gas, and it further specifies in article 4 that "The meeting agrees to the policy support matters proposed by the construction bureau and the relevant departments after consultation, which mainly includes: granting the joint venture company the exclusive concession right to construct and operate pipeline gas supply in the urban area for a period of 20 years." In order to further specify the rights and obligations of both parties, to provide an economical, safe, stable, efficient, convenient, high-quality and beneficial environmental protection and development of pipeline gas supply Industry and related services for all gas users and potential users within the scope of the concession right, Nantong Urban-rural Construction Bureau (南通市城鄉建設局) and Nantong Dazhong Gas signed the supplementary Concession Agreement on Urban Pipeline Gas Supply in Nantong City (《南通市市區管道燃氣特許經營協議》) on December 24, 2018.

II. INTRODUCTION OF THE AGREEMENT AND PARTIES

(I) General Information of the Parties of the Agreement

1. The Parties Concerned of the Agreement

Party A: Nantong Urban-rural Construction Bureau (南通市城鄉建設局), an authorized institution with the concession of urban pipeline gas supply in Nantong city, which authorized by Nantong Municipal People's Government (南通市人民政府) of Jiangsu Province of the People's Republic of China. Legal address: No.150 Gongnong South Road, Government Affairs Center, Nantong city, Jiangsu Province. Legal representative: Wang Kailiang Title: Director of Bureau.

Party B: Nantong Dazhong Gas Co., Ltd.* (南通大眾燃氣有限公司), the only authorized institution with the concession of urban pipeline gas supply in Nantong city. Legal address: No.59, Gongnong North Road, Nantong city. Legal representative: Zhuang Jianhao Title: Chairman of the board.

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2. General Information of the Agreement

The concession right granted by Party A to Party B in the Agreement, refers to the right to invest, construct, operate, maintain, update, upgrade urban gas facilities, and to supply gas to users by pipeline, and to provide related pipeline gas services such as emergency repair and rescue and thus to charge within the scope of the franchise area exclusively during the term of the concession right.

- (II) There is no other relationship between Nantong Urban-rural Construction Bureau and the Company and its holding subsidiaries in terms of association, property rights, business, assets, credit and debt, and personnel. Nantong Urban-rural Construction Bureau is an independent third party of the Company and its subsidiaries.

III. MAIN TERMS OF THE AGREEMENT

(I) Grant of the Concession Right

1. Provided that Party B agrees to accept all the terms of the Agreement and to abide by the obligations set forth herein, Party A, on behalf of Nantong Municipal People's Government, granted Party B the concession of pipeline gas supply in Nantong city.

The concession right granted by Party A to Party B under the Agreement is exclusive. Party A warrants that it will not grant the concession right of pipeline gas supply to any units or enterprise other than Party B within the same area, unless Party B fails to perform the warranties, responsibilities and obligations.

Within 20 days after the signing of this Agreement, Party A shall issue the authorization letter of the concession right to Party B and report it to Housing and Construction Department of Jiangsu Province for records.

2. Term of Validity of the Concession Right: Unless the provisions of the Agreement were terminated in advance, in accordance with the spirit of document No. 81 of the special meeting of Nantong Municipal People's Government on November 12, 2003, the term of validity of the concession right which was first granted by Party A to Party B shall be 20 years from January 1, 2004 to December 31, 2023.
3. Territorial Scope of the Concession Right
 - (1) The concession right of the Agreement shall be exercised in Nantong city (refers to the administrative division of Nantong city outside Tongzhou district (通州區) and Tongzhou Bay demonstration zone (通州灣示範區)).
 - (2) If the territorial scope of the concession right needs to be changed due to the adjustment of the urban administrative division, both parties must reach an agreement through consultation and modify the relevant provisions of the Agreement (a supplementary agreement on the adjustment of the territorial scope of the concession shall be signed). Party B shall not change the territorial scope of the concession right without authorization.
4. Business Scope: To invest, construct, operate, maintain, update and transform gas facilities, operate pipeline gas and exclusively distribute and sell pipeline gas to users by pipeline transportation within the scope of the franchise business; to provide the emergency repair and rescue business of relevant gas facilities and the maintenance, charging, service and management of users' gas facilities.
5. Concession Right Fee: Since 2013 (Party B received financial subsidies before 2012), Party A has charged Party B the concession right fee of RMB500,000 per year, and the concession right fee of RMB2,500,000 per year from 2013 to 2017 shall be charged respectively in five years starting from 2018, as an additional fee of RMB500,000 per year. Party B shall pay to the designated account before December of each year.

6. Concession Right Transfer, Lease and Pledge: During the concession right period, unless agreed by both parties, Party B shall not transfer, lease or pledge the concession right and relevant profits to any third parties.
7. Cancellation of the Concession Right: If Party B commits any of the following acts during the concession right period, Party A may terminate the Agreement, cancel the concession right and take over the operation temporarily.
8. Performance Guarantee

Party B should provide Party A with an effective performance guarantee issued by a bank which is irrevocable, independent of this Agreement within 15 days after signing the Agreement. The performance guarantee should be valid during the term of the concession right. Party B shall go through

(II) Construction, Maintenance and Renewal of Gas Facilities

1. Construction of Gas Facilities

Within the territorial scope of the Agreement, Party B shall, in accordance with the requirements of urban planning and gas professional planning, undertake the investment and construction of urban gas pipelines and facilities, and charge fees from users in accordance with the relevant provisions of the municipal government.

2. Land for Construction of Gas Facilities

During the concession right period, Party A shall reserve the construction land of gas facilities for Party B as planned. If the land occupied by the gas facilities invested by Party B is for public utilities, then Party B shall pay the relevant taxes and fees according to the land used for urban infrastructure and enjoy the preferential tax policies granted by the government for the gas projects according to laws and regulations. Party B shall not change the nature of the land use, nor transfer or mortgage the right to the use of the land without approval.

3. Operation, Maintenance and Renewal of Gas Facilities

During the concession right period, Party B shall operate, maintain and update the gas facilities in accordance with national and local standards and relevant regulations.

(III) Gas Supply Safety

Both parties shall strictly abide by the relevant national and local safety laws, regulations, rules and normative documents. Party B shall promise the gas supply, operation, quality, safety and service to comply with the national, industrial and local standards, and be responsible for pipeline gas supply security, public safety and propaganda of safety use within the concession right area in accordance with the law.

(IV) Capacity, Quality and Service Standards of Gas Supply

Party B shall take necessary measures to guarantee the gas demand in the concession right area. The Gas supplied by Party B shall conform to the provisions of GB 50494, GB 50028 and GB/T 13611 and meet the corresponding gas type standards. Party B shall, in accordance with the actual needs of users, provide users with comprehensive services such as business hotline, customer maintenance service outlets, business reception, regular meter reading, installation and maintenance of facilities, and ensure the service it provide to meet the requirements of relevant provisions.

(V) Gas Price and Relevant Fees

1. Gas Price

- (1) The gas price consists of costs, taxes and profits, and the municipal government shall exercise supervision over the gas price in accordance with the law.
- (2) The sales price of Party B's residential pipeline gas shall be subject to the sales price approved or recorded by the competent price department and shall be charged to users within the service scope.
- (3) Party B shall charge for the transformation, maintenance and other paid services of gas facilities within the scope of user management and maintenance responsibilities according to the prices recorded by the competent price department in charge.
- (4) Party B shall negotiate the gas supply price with large users within the price range approved by the competent price department.

2. Settlement of Gas Price

The price of gas can be calculated by multiplying the unit price per cubic meter by the gas consumption. The settlement method of gas price may be in accordance with the periodic meter reading and gas price settlement.

3. Adjustment of Gas Price

The price of gas shall be fixed or guided by the government. In case of implementation of government-guided prices, Party B may make corresponding adjustments within the price range authorized by the government, and timely report the adjustment standards, targets and time limit to the competent price department and supervision department for records.

4. Price Adjustment Procedure

In case of major changes in operating costs caused by reasons other than Party B, Party B may apply to Party A for the adjustment of urban pipeline gas charging standards. In the application for price adjustment, Party B shall state the reasons for price adjustment and provide necessary materials in accordance with relevant provisions. Party A shall submit adjustment opinions to the Municipal Price Department and other relevant departments after verification. The Municipal Price Department and other relevant departments may propose new pricing standards or price adjustment schemes in accordance with the Pricing Law of the People's Republic of China (《中華人民共和國價格法》) and provisions of relevant gas price policies. Party B shall not implement the new fee standard until the new fee standard is approved.

5. Construction and Installation Fees of Gas Facilities

The construction and installation fees of gas facilities will comply with the standards approved by the competent price departments.

IV. IMPACT OF PERFORMANCE OF THE AGREEMENT ON THE COMPANY

The signing of the Agreement will further define the management area and the business scope of Nantong Dazhong, and confirm the concession right and qualification of Nantong Dazhong to exclusively engage in urban pipeline gas supply in Nantong city, and promote the Company to optimize the core industries of gas. In line with the Company's development strategy, the signing of the Agreement will have a positive impact on the Company's operation.

V. RISK ANALYSIS OF PERFORMANCE OF THE AGREEMENT

The Agreement stipulates the termination of rights, responsibilities and concessions right operation between Nantong Urban-rural Construction Bureau and Nantong Dazhong Gas, and has clear requirements on the construction, maintenance and renewal of gas facilities, safety of gas supply, service quality and standards. If Nantong Dazhong Gas fails to continuously meet the relevant requirements in the future, it may lead to the termination or cancellation of the concession right, thus adversely affecting the operation of Nantong Dazhong Gas. Nantong Dazhong Gas will guarantee the quality of gas supply, construction of gas facilities and related maintenance to ensure the smooth implementation of the Agreement. Investors should make cautious decisions and be aware of any investment risk.

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

Shanghai, the People's Republic of China

26 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.

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