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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)

OVERSEAS REGULATORY ANNOUNCEMENT
ANNOUNCEMENT ON EQUITY TRANSFER AND RELATED PARTY TRANSACTIONS

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The following sets out the •Announcement on Equity Transfer and Related Party TransactionsŽ published by Shanghai Dazhong Public Utilities (Group) Co.*, Ltd. on the website of the Shanghai Stock Exchange (http://www.sse.com.cn).

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

Shanghai, the People•s Republic of China
5 November 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.

* For identification purposes only

Stock code: 600635 Stock Short Name: DZUG Announcement No.: 2018-044
Bond code: 143500 Bond Short Name: 18 Gongyong 01
Bond code: 143740 Bond Short Name: 18 Gongyong 03
Bond code: 143743 Bond Short Name: 18 Gongyong 04

Announcement of

Shanghai Dazhong Public Utilities (Group) Co., Ltd.*

on Equity Transfer and Related Party Transactions

The board of directors and all directors of the Company warrant that there are no false representations, misleading statements contained in, or material omissions from, this announcement, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents in this announcement.

DEFINITION:
In this announcement, the following expressions have the meanings set out below unless otherwise stated:
The Company or Company: Shanghai Dazhong Public Utilities (Group) Co., Ltd.*

- Implementation of the transaction does not have significant legal obstacles
- Implementation of the transaction is subject to approval by the Shanghai United Assets and Equity Exchange* ( ) and the completion of the business registration procedure with the competent industrial and commercial administrative department
- In the past 12 months, there were two transactions with the same related party amounting to RMB162,664,350 and there was one similar type of transaction with different related parties amounting to RMB96,000,000.

I. Overview of the Related Party Transaction

1. On November 5, 2018, the Company and its subsidiary Dazhong Transportation

entered into Shanghai Assets and Equity Exchange Contract* (

) in Shanghai, pursuant to which, the Company transferred its 25% equity interests of Shi He Industrial to Dazhong Transportation. The transfer price was RMB100,166,984.72 (RMB one hundred million one hundred and sixty six thousand nine hundred and eighty four Yuan and seventy two cents), which was determined according to the Valuation Report on Total Equity Interest Value of Shanghai Shi He Industrial Co., Ltd. Involved in the Equity Transfer by Shareholders (

) issued by Shanghai Cairui Asset Valuation Co., Ltd.* ( ) as of September 30, 2018. Upon the completion of this equity transfer, the Company will no longer hold any equity interests in Shi He Industrial while Dazhong Transportation will hold 100% equity interests of Shi He Industrial. The related party transaction does not constitute major assets restructuring defined within the Measures for the Administration of the Material Asset Restructuring of Listed Companies* (

).

2. Mr. Yang Guoping, chairman of the board of directors of the Company, Mr. Liang Jiawei, director and chief executive officer of the Company, and Ms. Zhao Siyuan, supervisor of the Company, are directors of Dazhong Transportation at the same time and the Company is the largest shareholder of Dazhong Transportation. According to relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange* ( ), the investment constitutes a related party transaction.

3. As of the date of the related party transaction, the Company's related party transactions with the same related party or within similar type of transaction with different related parties during the past 12 months amounted to more than RMB30 million, but no exceeding more than 5% of the absolute value of the latest audited net asset of the listed company.

4. The transaction is conditional upon the approval by the Shanghai United Assets and Equity Exchange* ( ) and the completion of business registration procedure with the competent industrial and commercial administrative department.

II. Introduction of Related Parties

(I) Relationships with Related Parties

Mr. Yang Guoping, Chairman of the board of the Company, Mr. Liang Jiawei, director and chief executive officer of the Company, and Ms. Zhao Siyuan, supervisor of the Company, are directors of Dazhong Transportation at the same time and the Company is the largest shareholder of Dazhong Transportation.

(II) General Information of Related Parties

1. Name: Dazhong Transportation (Group) Co. Ltd.* (

)

Type of Business: Limited liability company (Sino-foreign joint venture, listed)

Registered Address: 12th Floor, 1515 Zhongshanxi Road, Xuhui District, Shanghai

Principal Office: 22th Floor, 1515 Zhongshanxi Road, Shanghai

Legal Representative: Yang Guoping

Registered capital: RMB2,364.122864 million

Principal Business: Business management consulting, modern logi

4. The latest classes of assets and their carrying amounts of Shi He Industrial are as follows (as of September 30,2018):

Currency: RMB Unit: RMB in ten thousands

Item	September 30, 2018 (audited)
Total assets	87,271.59
Total liabilities	85,556.12
Net assets	1,715.47
Item	From January to September, 2018 (Audited)
Operating revenue	0.00
Net profit	-113.47

(II) Basic Information of the Subject of the Transaction

1. Profile of Shi He Industrial

Name: Shanghai Shi He Industrial Co., Ltd.* ( )

Registered address : Unit 258, Block 8, 1128 South Tianyaoqiao Road, Xuhui District, Shanghai

Legal representative: Zhang Jing (Trinci א c я ‘
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Total	2,000	100

2. Upon the completion of this equity transfer, shareholding of Shi He Industrial would be as follows:

Name of shareholder	Capital Contribution (RMB in ten thousands)	Percentage of total contribution (%)
Dazhong Transportation (Group) Co., Ltd.* ( )	2,000	100

3. Key Financial Indicators in December 31, 2017 and September 30, 2018

Currency: RMB Unit: RMB in ten thousands

Item	December 31, 2017 (Audited)	September 30, 2018 (Audited)
Total assets	82,383.57	87,271.59
Total liabilities	80,554.63	85,556.12
Net assets	1,828.94	1,715.47
Item	From January to December, 2017 (Audited)	From January to September, 2018 (Audited)
Operating revenue	0.00	0.00
Net profit	-56.27	-113.47

4. BDO China Shu Lun Pan Certified Public Accountants LLP has audited the financial data in 2017 and from January to September, 2018 of Shi He Industrial and issued a standard and unqualified auditor's report with Xin Hui Shi Bao Zi (2018) No. ZA11581 (2018 ZA11581) and Xin Hui Shi Bao Zi (2018) ZA15797 (2018 ZA15797).

5. Shi He Industrial plans to develop a commercial office project at the Lot 188S-O-1 in Binjiang, Xuhui District, Shanghai. The project refers to the plot development project located at the Lot 33/8, 0183 of Longhua Street, Xuhui District, Shanghai* (0183 33/8). The plot of the project was granted for

commercial purpose, and its term of land use right shall be 40 years for commercial purpose or 50 years for office purpose commencing from April 2, 2014. Land-use area and planned plot ratio of the plot amount to 9827.90 sq.m. and 3.35 respectively, and nature of buildings is for commercial use. The development and construction of underground structures of the project will be conducted entirely by enterprises owned by Xuhui District government, which would make subsequent settlement with the Company for relevant portions. Currently, the project has obtained the Construction Land Use Planning Permit* ( ), the Construction Work Planning Permit* ( ) and the Construction Work Commencement Permit* ( )for aboveground construction. Currently, the construction of the underground space has been basically completed, and the aboveground construction has commenced in September 2018.

(III) Evaluation of the Subject of the Transaction

1. Information of the evaluation

The valuer of the subject of the transaction is Shanghai Cai Rui Assets Evaluation Co., Ltd.* ( ), which is qualified for asset valuation (Hu Guo Zi Wei Xu Ke Ping [2005] No. 567 ([2005]567)). In accordance with the Valuation Report on Total Equity Interest Value of Shanghai Shi He Industrial Co., Ltd. Involved in the Equity Transfer by Shareholders (Hu Cai Rui Ping Bao Zi (2018) No. 2031) (2018 2031), the valuation object is the entire shareholders' equity of Shi He Industrial and the valuation scope is all the assets and liabilities of Shi He Industrial including, among others, current assets, fixed assets and liabilities. The valuation reference date is September 30, 2018, and the value type of the evaluation is market value and the valuation method is asset-based method.

2. Conclusion of the evaluation

According to the evaluation, as at the valuation reference date of September 30, 2018, book value and the appraised value of the total assets of Shi He Industrial were RMB872,715,893.19 and RMB1,256,229,127.39 respectively, representing an increase of revaluation surplus of 43.94%; book value and the appraised value of the total liabilities recorded no changes, both amounting to RMB855,561,188.53. Book value and the appraised value of shareholders' total equity was RMB17,154,704.66 and RMB400,667,938.86 respectively, representing an increase of revaluation surplus of 2,235.62%.

3. Valuation Conclusion by Asset-based approach and Analysis on Increase/Decrease

of Carrying Values

Inventory-development costs recorded appreciation of 45.98%, which is mainly due to the subject of the valuation object was being acquired in 2014 and local land price increased significantly from then on.

IV. Pricing for related party transactions

Shanghai Cairui Asset Valuation Co., Ltd.* ( ) has conducted valuation on Shi He Industrial and issued the Valuation Report on Total Equity Interest Value of Shanghai Shi He Industrial Co., Ltd. Involved in the Equity Transfer by Shareholders (2018 2031 (Hu Cai Rui Ping Bao Zi (2018) No. 2031) with the valuation reference date dated September 30, 2018.

announcement No.2018-039 headed Equity Transfer and Related Party Transactions *

(2018-039) for details.

According to the valuation report, subject price of the equity transaction was RMB100,166,984.72, and calculated based on equal percentages of equity interests, it appreciated by -0.11% as compared to the value of the transfer in August 2018 while appreciated by 7% as compared to the value of the transfer in October 2017.

Consolidated Table of the Asset Appraisal Conclusion

Currency RMB Unit: RMB in ten thousands

Type of Assets	Book value	Appraised value	Amount of appreciation
Current assets	87,268.95	125,620.39	38,351.44
Fixed assets	2.64	2.52	-0.12
Total assets	87,271.59	125,622.91	38,351.32
Current liabilities	85,556.12	85,556.12	
Total liabilities	85,556.12	85,556.12	
Total equity attributable to the owners	1,715.47	40,066.79	38,351.32

Consolidated Table of the Asset Appraisal Conclusion as at June 2018

Currency RMB Unit: RMB in ten thousands

Type of Assets	Book value	Appraised value	Amount of appreciation
Current assets	87,311.28	125,662.73	38,351.45
Fixed assets	2.91	2.69	-0.22
Total assets	87,314.19	125,665.42	38,351.23
Current liabilities	85,555.85	85,555.85	
Total liabilities	85,555.85	85,555.85	
Total equity attributable to the owners	1,758.34	40,109.57	38,351.23

Consolidated Table of the Asset Appraisal Conclusion as at August 2017

Currency RMB Unit: RMB in ten thousands

Type of Assets	Book value	Appraised value	Amount of appreciation
Current assets	82,479.28	118,051.31	35,572.03
Fixed assets	0.19	0.10	-0.09

Total assets	82,479.47	118,051.41	35,571.94
Current liabilities	80,634.64	80,634.64	
Total liabilities	80,634.64	80,634.64	
Total equity attributable to the owners	1,844.83	37,416.77	35,571.94

V. Subject of the Related Party Transaction and Implementation n E sn

by the Shanghai United Assets and Equity Exchange* ( ) is obtained.

10. Taxes and fees for equity transaction

(1). The taxes involved in the equity transaction shall be paid in accordance with relevant regulations in China.

(2). It has been agreed that the fees arising from equity transaction under this contract in the transaction process in the Shanghai United Assets and Equity Exchange* ( ) shall be borne by respective party.

11. Liability for breach of contract:

(1). In the event that Dazhong Transportation fails to pay the consideration on schedule, Dazhong Transportation shall pay the Company 0.5‰ of the outstanding consideration for per day of delay as liquidated damages. Should such delay exceed 20 days, the Company shall have the right to terminate the contract and to claim damages from Dazhong Transportation.

(2). In the event that the Company fails to provide necessary supports to Dazhong Transportation to complete the transfer of the ownership of the equity interests on schedule, the Company shall pay Dazhong Transportation 0.5‰ of the transaction consideration for per day of delay as liquidated damages. Should such delay exceed 20 days, Dazhong Transportation shall have the right to terminate the contract and to claim damages from the Company.

VI. The purpose of the related party transaction and its influence on the Company

1. The equity transfer transaction is in accordance with our operating and expansion strategies, and could enable the Company to focus capital resources on its principal businesses, such as public utility and financial investment business, and strengthen its core competitiveness, and thus in turn create positive impact on our future industrial restructuring.

2. This equity transfer is conducted based on valuation and has been assessed by professional evaluation firm, the pricing of which has been determined based on the principle of fairness, openness and reasonableness, and is without prejudice to the interests of the Company and other shareholders (in particular, small and medium shareholders).

3. The proceeds of this equity transfer will be used to replenish the working capital required for the Company’s daily operation and will not have material impacts on the financial position and operating results of the Company.

VII. The procedures required for considering and approving the related party transaction

1. The related directors of the Company Mr. Yang Guoping and Mr. Liang Jiawei have abstained from voting on the resolution in relation to the above related party transaction considered and voted on at the 13rd meeting of the 10th session of the

Board of the Company held on 5 November 2018. The remaining 11 non-related directors have unanimously approved such resolution. The five independent directors of the Company have issued prior confirmation to grant consent

directors have abstained from voting at the board of directors while other non-related directors made their votes and approved the resolution of the related party transaction by virtue of the voting procedure in accordance with requirements of relevant laws and regulations.

3. The related party transaction is practicable and feasible. We believe that the equity transfer has been in strict compliance with the principle of fairness, justness, voluntariness and good faith, and is in the interests of the Company and all shareholders.

VIII. Attachments Published Online

1. Valuation Report on Total Equity Interest Value of Shanghai Shi He Industrial Co., Ltd. * Involved in the Equity Transfer by Shareholders ( );

2. 2017 Audit Report of Shanghai Shi He Industrial Co., Ltd. * (2017), Audit Report of Shanghai Shi He Industrial Co., Ltd. *from January to September of 2018 (2018 1-9);

3. Statement of prior consent from independent directors on this related party transaction of the Company;

4. Independent opinions on transferring equity from the Company to related party.

Hereby notify the above.

The Board of Directors
Shanghai Dazhong Public Utilities (Group) Co., Ltd.*
6 November 2018

Documents Available for Inspection

(1) Resolutions of the 13rd Meeting of the 10th Session of the Board of Directors;

(2) Resolutions of the 12th Meeting of the 10th Session of the Supervisory Committee;

(3) Shanghai Assets and Equity Exchange Contract ( );

(4) Qualification Certificate for Asset Appraisal Institution;

(5) Qualification Certificate for Accounting Firms.

* For identification purpose only