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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shenyang Public Utility Holdings Company Limited (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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瀋陽公用發展股份有限公司

Shenyang Public Utility Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 747)

**MAJOR TRANSACTION
DISPOSAL OF 66.67% EQUITY INTERESTS AND
SHAREHOLDER'S LOAN IN SHENZHEN HE HUI HUANG
DEVELOPMENT COMPANY LIMITED***

Financial Adviser to the Company



Karl Thomson Financial Advisory Limited

A letter from the Board is set out on pages 3 to 11 of this circular.

A notice convening the EGM to be held at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC at 2:30 p.m. on 11 February 2020 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend such meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar, the Hong Kong Registrars Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) or the Company's office at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC (for the holders of Domestic Shares) as soon as possible and in any event not less than 24 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	the board of Directors
“Business Day”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays)
“Company”	Shenyang Public Utility Holdings Company Limited
“Completion”	the completion of the Disposal
“Consideration”	consideration of the Disposal amounted to RMB173,000,000
“Director(s)”	means the directors of the Company
“Disposal”	the disposal of 66.67% equity interests and the Shareholder’s Loan in the Disposal Company by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 4 July 2019 entered into between the Vendor and the Purchaser in relation to the Disposal
“Disposal Company”	Shenzhen He Hui Huang Development Company Limited* 深圳市合輝煌發展有限公司
“Domestic Share(s)”	domestic share(s) with a nominal value of RMB1 each in the share capital of the Company which are subscribed for in RMB
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held for the Shareholders to consider, and if appropriate, approve the Disposal and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“H-Share(s)”	ordinary share(s) of RMB1 each in the share capital of the Company

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of the Company and its/their connected persons (as defined under the Listing Rules)
“Latest Practicable Date”	17 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Shenzhen Hongxun Investment Development Company Limited* 深圳市鴻訊投資發展有限公司
“Remaining Group”	the Group upon Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	66.67% equity interests of the Disposal Company
“Shareholder(s)”	holder(s) of the H-Shares and the Domestic Shares
“Shareholder’s Loan”	all indebtedness owed by the Disposal Company to the Vendor immediately prior to Completion
“SNP Investment”	Shenzhen Newpont Investment Group Limited*
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shenzhen Shenxi Investment & Development Company Limited* 深圳市沈璽投資發展有限公司, a wholly-owned subsidiary of the Company
“Zhong De Logistics”	Shenzhen Zhong De Logistics Company Limited* 深圳市眾德物流有限公司
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



瀋陽公用發展股份有限公司
Shenyang Public Utility Holdings Company Limited
(a joint stock limited company incorporated in the People's Republic of China)
(Stock code: 747)

Executive Directors:

Mr. Zhang Jing Ming (*Chairman*)
Mr. Chau Ting Yan
Mr. Leng Xiao Rong

Non-executive Directors:

Mr. Yin Zong Chen
Mr. Ye Zhi E

Independent Non-executive Directors:

Mr. Chan Ming Sun Jonathan
Mr. Guo Lu Jin
Ms. Gao Hong Hong

Registered office:

No. 1-4, 20A, Central Street,
Shenyang Economic and
Technological Development Zone,
the PRC

Principal place of business in the PRC:

Room 2-12-5, Block B, Diwang Club Apartment,
No. 19 Wenyi Road,
Shenhe District, Shenyang,
the PRC

Principal place of business in Hong Kong:

8/F., Skyway Centre,
23 Queen's Road West,
Sheung Wan,
Hong Kong

20 December 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
DISPOSAL OF 66.67% EQUITY INTERESTS AND
SHAREHOLDER'S LOAN IN SHENZHEN HE HUI HUANG
DEVELOPMENT COMPANY LIMITED***

INTRODUCTION

Reference is made to the announcement of the Company dated 4 July 2019 in relation to the Disposal.

The purpose of this circular is to provide the Shareholders with, among other things, further information in respect of the Disposal, the notice of EGM and other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE MAJOR DISPOSAL

The Disposal Agreement

Date

4 July 2019 (after trading hours)

Parties

Vendor: Shenzhen Shenxi Investment & Development Company Limited* 深圳市沈璽投資發展有限公司, a wholly-owned subsidiary of the Company

Purchaser: Shenzhen Hongxun Investment Development Company Limited* 深圳市鴻訊投資發展有限公司

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner, Mr. Lin Rou Bing (林柔兵) are Independent Third Party.

Subject of the Disposal

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 66.67% equity interests and the Shareholder's Loan of the Disposal Company.

Consideration

Pursuant to the Disposal Agreement, the Consideration in the total amount of RMB173,000,000 for the Disposal of which (a) RMB165,000,000 is the consideration for the disposal of the Sale Share; and (b) RMB8,000,000 is the consideration for the assignment of the Shareholder's Loan, and will be satisfied by the Purchaser in the following manner:

- (a) the first instalment of RMB20,000,000 shall be payable by the Purchaser to the Vendor within 40 Business Days upon signing of the Disposal Agreement; within 30 Business Days upon the payment of the first instalment, the Vendor shall assist the Purchaser to complete the registration with the Administration for Industry and Commerce in relation to the transfer of the equity interests of the Disposal Company;
- (b) the second instalment of RMB70,000,000 shall be payable by the Purchaser to the Vendor within 30 Business Days upon the Disposal Agreement and the transactions contemplated thereunder having been approved by the Shareholders at a general meeting of the Company;

LETTER FROM THE BOARD

- (c) the remaining balance of RMB83,000,000 shall be payable by the Purchaser to the Vendor within 5 Business Days after the expiry date of 4 months from the date on which the Disposal Agreement and the transactions contemplated thereunder having been approved by the Shareholders at a general meeting of the Company.

The Consideration has been determined after arm's length negotiations among the parties to the Disposal Agreement with reference to (i) the adjusted unaudited net asset value of 66.67% equity interests of the Disposal Company of approximately RMB161,565,345 as at 31 May 2019 and the Shareholder's Loan of RMB8,000,000 as well as (ii) the unaudited net asset value of 20% equity interests of Zhong De Logistics of approximately RMB165,644,145 as at 31 May 2019.

Net asset value of 20% equity interest of Zhong De Logistics was taken into account in determining the Consideration since the Company currently holds 66.67% equity interest of the Disposal Company, and the Disposal Company holds 30% equity interest in Zhong De Logistics, the group effectively holds 20% equity interest in Zhong De Logistics in this regard.

The net asset value of the Disposal Company has taken into account the market value of the Property of Zhong De Logistics of RMB1.6296 billion. The significant discrepancy between the net asset value and market value is due to the liability of Zhong De Logistics given the fact that the construction of Zhong De Logistics Park was mainly financed by shareholders' loan and bank loans.

Conditions precedent

Completion of the Disposal Agreement is conditional upon satisfaction of all of the following conditions:

1. the Purchaser having obtained its shareholders' approval of the entering into of the Disposal Agreement and the transactions contemplated thereunder;
2. the Company having obtained the approval by its Board and its Shareholders' approval in a general meeting of the entering into of the Disposal Agreement and the transactions contemplated thereunder;
3. the Disposal Company having completed the industrial and commercial registration with the Administration for Industry and Commerce in relation to the Disposal;
4. the Purchaser having fully settled the Consideration;

LETTER FROM THE BOARD

5. The Vendor and the Purchaser having been satisfied that, at all time from the date of the Disposal Agreement up to the date of Completion, all warranties given by the Purchaser and the Vendor under the Disposal Agreement remain true, in place, not misleading in all material aspect and not breached, and that there has been no event or situation leading to any material adverse change.

None of the condition is waivable by the Company and/or the counterparties and none of the condition has been satisfied as at the Latest Practicable Date.

The above conditions shall be fulfilled within 12 months from the date on which the Disposal Agreement was entered or such later date as the parties to the Disposal Agreement may agree in writing.

In the event that the Disposal Agreement and the transactions contemplated thereunder have not been approved by the Shareholders at a general meeting of the Company or the Purchaser fail to settle the Consideration in accordance with the stipulated time as agreed in the Disposal Agreement, the Purchaser shall unconditionally and irrevocably guaranteed that the Vendor shall have the right and the Purchaser shall unconditionally agree to reinstate the industrial and commercial registration of the Disposal Company to its original status. The Vendor also guaranteed that it shall refund all the amount paid by the Purchaser within 10 days upon the organization structure and the industrial and commercial registration of the Disposal Company were reinstated to its original status.

Completion

Completion shall take place on the date on which the conditions precedent to the Disposal Agreement had been completely fulfilled or such other date as the Vendor and Purchaser may agree in writing.

INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company is a company with limited liability established under the laws of the PRC and is owned as to 66.67% by the Vendor and 33.33% by two individuals who are Independent Third Parties immediately prior to Completion. The other two shareholders of the Disposal Company have no intention to dispose of their interests in the Disposal Company to the Purchaser. Its principal business is investment holding. The Disposal Company currently holds 30% equity interests in Zhong De Logistics which is a limited liability company established under the laws of the PRC. Its principal businesses include domestic logistics, freight forwarding, warehousing and distribution services. The remaining 70% equity interests of Zhong De Logistics are owned as to 20% by Shenzhen Hong Tai Ning Trading Co., Ltd.* 深圳泓泰寧貿易有限公司 and as to 50% by Shenzhen Jian Wei Xing Industrial Co., Ltd.* 深圳市建威興實業有限公司. Both of them are independent third parties of the Company.

LETTER FROM THE BOARD

Zhong De Logistics is currently engaged in an integrated logistics park development project (the “**Project**”) located on a land parcel with a total site area of approximately 70,793.7 sq.m. in Longgang District, Shenzhen (the “**Property**”). The Property will be developed into an integrated and multifunctional logistics park with an estimated total gross floor area of approximately 236,518.85 square meters, providing comprehensive range of integrated logistics and warehouse storage facilities and service. The market value of the Property as at 31 May 2019 as valued by an independent qualified professional valuer was RMB1,629,600,000.

The construction of Project has been completed and currently in the acceptance stage which is expected to be completed in January 2020. No approval or confirmation is required to obtain from the relevant PRC authorities before completion of Disposal.

Set out below are the audited consolidated financial information of the Disposal Company for the two financial years ended 31 December 2017 and 2018:

	For the year ended	
	31 December	
	2017	2018
	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB</i>	<i>RMB</i>
Turnover	Nil	Nil
Loss before taxation and extraordinary items	412,102	392,355
Loss after taxation and extraordinary items	412,102	392,355

As of 31 May 2019, the adjusted unaudited net asset value of the Disposal Company is RMB242,335,902. The net asset value of the Disposal Company has taken into account the market value of the Property of Zhong De Logistics of RMB1.6296 billion. The significant discrepancy between the net asset value and market value is due to the liability of Zhong De Logistics.

The Company has sought legal opinion on the Property. Based on the PRC legal opinion, the equity interests of Zhong De Logistics is transferable even though the underlying property is not entitled to be transferred in the market.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the PRC and is principally engaged in investment business. The Purchaser does not have other business activities other than investment holding.

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The Disposal is expected to realize an unaudited net gain of approximately RMB7,280,000 for the Group which is derived from the difference between the Consideration of RMB173,000,000 and (i) the cost of 66.67% equity interests of the Disposal Company of RMB155,000,000; (ii) the related profit tax of approximately RMB2,400,000; (iii) the related legal costs and other expenses of the Disposal of approximately RMB320,000; and (iv) the assignment of Shareholder’s Loan.

LETTER FROM THE BOARD

Given that the Disposal is expected to generate an unaudited net gain of approximately RMB7,280,000, it is expected that the consolidated total asset of the Company would be increased by approximately RMB7,280,000 (subject to audit) while the total liabilities remains unchanged upon Completion.

Shareholders and potential investors of the Company should note that the actual financial impacts of the Disposal may be different from those as mentioned above and is subject to the review of the Company's auditors. Save for the expected net gain on Disposal of approximately RMB7,280,000 as mentioned above and tax liabilities of the Group arising from the Disposal, the Disposal does not have any material effect on the earnings, assets and liabilities of the Group.

The Group intends to apply the net proceeds of RMB170,280,000 for acquiring new projects including but not limited to the acquisition of San He Jing Jiao Property Development Company Limited*.

Upon Completion, the Group ceased to hold any equity interest in the Disposal Company.

BACKGROUND AND REASONS FOR THE DISPOSAL

On 11 May 2017 (after trading hours), Shenzhen Shenxi, entered into the Capital Contribution Agreement with the Disposal Company and SNP Investment, an independent third party, pursuant to which it has been agreed that Shenzhen Shenxi, being the new investor, shall make capital contribution in the total sum of RMB155,000,000 to Zhong De Logistics. Upon completion of the capital contribution, the equity interests in Zhong De Logistics held by Shenzhen Shenxi would be 20.00%. Prior to completion of the capital contribution, Zhong De Logistics is owned as to 70% by SNP Investment and 30% by the Disposal Company.

On 5 February 2018, all parties to the capital contribution agreement and Zhong De Logistic entered into a supplemental agreement to supplement the certain terms and conditions of the capital contribution agreement pursuant to which all parties to the supplemental agreement agreed that before the change in industry and commercial registration procedures by 30 September 2018, Shenzhen Shenxi shall has right to convert the contributed amount of RMB150,000,000 already paid to Zhong De Logistic to the premises in the Project with the equivalent value. On 30 September 2018, the change in industry and commercial registration procedures had not completed, the Directors decided to continue to acquire 20% equity interests in Zhong De Logistic after careful consideration.

On 22 January 2019, with the consent of the parties, capital contribution to the Zhong De Logistic would be replaced by acquisition of 66.67% equity interest in the Disposal Company by Shenzhen Shenxi. On 12 March 2019, Shenzhen Shenxi, SNP Investment, SHHH Development, Zhong De Logistics, Lu Hancui and Ma Xinan (both being natural persons) entered into the supplemental agreement to adjust the investment approach pursuant to which it is agreed that the capital contribution in Zhong De Logistics will be replaced by the acquisition of an aggregate of 66.67% equity interest in SHHH Development by Shenzhen Shenxi from Lu Hancui and Ma Xinan, after the acquisition, Shenzhen Shenxi indirectly holds 20% equity interest in Zhong De Logistics and the conversion right for Shenzhen Shenxi was no longer effective.

LETTER FROM THE BOARD

The Board has taken into account the following reasons in considering the Disposal:

1. The construction cost of logistics park of Zhong De Logistics was mainly financed by shareholders' loan and bank loans. Furthermore, extra working capital is needed for renovation and landscape engineering before its operation starts. Even if its operation will start in June 2020, it is expected that positive cashflow cannot be generated in short run.
2. The company has carried out an acquisition of 78% equity interest in San He Jing Jiao Property Development Company Limited. More capital is needed for financing the acquisition.

On 28 October 2019, the Company, through its a wholly-owned subsidiary entered into a sale and purchase agreement with Shanghai Wanbang Enterprise Group Company Limited* 上海萬邦企業集團有限公司, Shenzhen Wanbang Real Estate Company Limited*, 深圳市萬邦置業有限公司 and Shenzhen Zhaowanda Investment Company Limited* 深圳市兆萬達投資有限公司 in relation to the acquisition of 78% equity interest of San He Jing Jiao Property Development Company Limited at the consideration of RMB321,000,000 (the "Acquisition").

San He Jing Jiao is principally engaged in the property investment as well as development and sales of properties. It is currently engaged in a property development project, namely Tian Zi Zhuang Yuan. It is a large scale residential development project developed on a site formed by various parcels of land located at Sanhe City, the PRC. Completion of the Acquisition will take place upon the satisfactory of certain conditions.

It is expected that San He Jing Jiao will generate income by selling the properties to be developed in the project, the Directors are of the view that the Acquisition would have a positive impact on the future earnings of the Group. Details of which is set out in the announcement of the Company dated 28 October 2019.

The Disposal will enable the Group to realise the carrying value of the Sale Shares with net gain. After the Disposal, the Group can streamline its businesses by focusing its management efforts on the infrastructure business as well as developing its property investment and operation business which are expected to generate higher return to the Group. Therefore, the Directors consider the Disposal is in line with the Group's overall business strategy.

The Directors also consider that the terms and conditions of the Disposal are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Group is principally engaged in infrastructure and construction business in the PRC.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION OF THE DISPOSAL

As one or more of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are below 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be held for the purpose of approving, among other things, the Disposal and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their associates have any material interests in the Disposal. Accordingly, no Shareholders are required to abstain from voting on the ordinary resolutions to be approved at the EGM.

The notice convening the EGM to be held at 2:30 p.m. on 11 February 2020 (Tuesday) at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC, is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolutions will be proposed for the Shareholders to approve the Disposal and the transactions contemplated thereunder.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend such meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar, the Hong Kong Registrars Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) or the Company's office at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC (for the holders of Domestic Shares) as soon as possible and in any event not less than 24 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the meetings or at any adjourned meetings should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the EGM to demand for voting on poll in respect of the ordinary resolutions to be proposed at the EGM and the Hong Kong Registrars Limited will serve as the scrutineer for the vote-taking.

BOOK CLOSURE PERIOD

In order to ascertain the entitlements of the Shareholders to attend the EGM, the register of members of the Company will be closed from 13 January 2020 to 11 February 2020 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to attend and vote at the EGM, all transfer documents must be lodged with the H Share Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H-Shares no later than 4:30 p.m. on 10 January 2020 (for holders of H Shares) or the

LETTER FROM THE BOARD

Company's office at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC (for the holders of Domestic Shares) no later than 4:00 p.m. on 10 January 2020.

RECOMMENDATION

The Board considers that the Disposal and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Shenyang Public Utility Holdings Company Limited
Zhang Jing Ming
Chairman

* For identification purposes only

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange at “<http://www.hkexnews.hk>” and the Company at “www.shenyang747.com”:

- annual report of the Company for the year ended 31 December 2016 published on 28 April 2017 (pages 44 to 172);
- annual report of the Company for the year ended 31 December 2017 published on 30 April 2018 (pages 42 to 172); and
- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 48 to 200).

STATEMENT OF INDEBTEDNESS**Lease liability**

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group, as a lessee, had outstanding unpaid contractual lease liabilities of approximately RMB1,135,964 in relation to the remaining lease terms of a right-of-use asset, which is unsecured and unguaranteed.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables, contract liabilities as at 31 October 2019, the Remaining Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued term loans or other borrowings, indebtedness in nature of borrowings, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured, or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 October 2019.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Remaining Group since 31 October 2019.

WORKING CAPITAL

The Directors, are of the opinion that, taking into account (i) the completion of the Disposal and (ii) the internal resources of the Remaining Group, the Directors after due and careful enquiry are of the opinion that the Remaining Group has sufficient working capital for its present requirements, that is for at least twelve months from the date of publication of this circular, in the absence of unforeseen circumstances.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The completion and acceptance procedures of phase I of the Zhongfang Chaozhou Jing Nan Industrial Park (the “**Chaozhou Project**”) have been fully completed while the settlement works will be completed by the end of 2019. The Directors are of the view that the investment outcome of phase 1 of the Chaozhou Project cannot meet the management’s expectation in particular, the settlement of construction cost and receivables have been further delayed which is unsatisfactory. As such, the Company doesn’t intend to participate into phase II and III of the Chaozhou Project. The Company will continue to explore other business opportunities in infrastructure and construction sectors with growth potential.

In the meantime, the Company plans to develop its property investment and operation business as one of its major businesses. And thus the Group has been actively seeking investment opportunities in such business segment. On 24 June 2019, the wholly owned subsidiary of the Company, Shenzhen Shenhe Chuangli Investment and Development Company Limited* 深圳市深合創立投資發展有限公司 and Beijing Chengyang Software Company Limited* 北京程陽軟體有限公司 entered into a sale and purchase agreement in relation to the acquisition of 100% equity interests of Beijing Yufeng Chengyou Technology Company Limited* 北京禦風程遊科技有限公司 at the consideration of RMB10,660,000.

Beijing Yufeng Chengyou Technology Company Limited currently holds a commercial property at No. 15, Guang’an Road, No. 138, Hesha Road, Datansha Island, Liwan District, Guangzhou, the PRC. The property comprises a shop unit with a gross floor area of approximately 516.69 sq.m. and it is currently subject to a tenancy agreement at an aggregate monthly rental of approximately RMB32,000. As valued by an independent qualified professional valuer, the market value of the property as at 31 May 2019 was RMB20,200,000. Save as holding above property, Beijing Yufeng Chengyou Technology Company Limited has not commenced other business.

As the relevant percentage ratio in respect of the transaction is less than 5%, the transaction is not subject to the announcement requirements under the Listing Rules. The Directors consider that the acquisition represents a valuable property investment opportunity that are in line with the Group’s business strategy and future development. Furthermore, apart from the acquisition, the Group has also conducted a disposal in April 2019. In view of the poor financial performance of Shishi Shen Guo Tou Commercial Property Company Limited* 石獅深國投商用置業有限公司 (“**Shishi Shen Guo Tou**”), the Board passed a resolution on 1 April 2018 with intention for disposal of 100% equity interest of in Shenzhen Zhonghe Chuangjian Investment and Development Company Limited* (深圳市眾合創建投資發展有限公司) (“**Shenzhen Zhonghe**”, which holds 30% equity interests in Shishi Shen Guo Tou) by Shenzhen Shen He Chuang Jian Investment Development Company Limited (“**Shenzhen Shen He**”, a wholly-owned subsidiary of the Company) at a consideration of RMB13,200,000. The transaction has been completed on 30 April 2019. Shishi Shen Guo Tou has been performing poorly since 2016 and is unable to repay their bank loans in time. On 27 August 2018, ICBC has filed an arbitration against Shishi Shen Guo Tou. For details of the arbitration, please refer to the announcement of the Company dated 11 September 2018.

On 24 June 2019, the Company entered into the disposal agreement with Guangzhou Yiwan Trading Company Limited* 廣州藝苑貿易有限公司 pursuant to which Guangzhou Yiwan Trading Company Limited has conditionally agreed to purchase and the Company has conditionally agreed to sell 100% equity interests and loan interests of Shenzhen Shen He at the consideration of RMB13,950,000, including the consideration for disposal of Shenzhen Zhonghe. As the relevant percentage ratio in respect of the transaction is less than 5%, the transaction is not subject to the announcement requirements under the Listing Rules.

During the year, the Directors have performed impairment assessment and concluded that there has been a significant increase in credit risk since the initial recognition of the financial guarantee contract. Accordingly, a loss allowance of RMB49,787,000 has been recognised for financial guarantee contract issued by the Group.

Having considered the aforesaid factors regarding the net liabilities position of Shishi Shen Guo Tou and its financial performance in recent years, the Directors are of the view that the disposal represents a good opportunity for the Group to realise its investment in such disposal group. The Directors believe that the disposal would enable the Company to focus, and deploy its resources more effectively on other business segments of the Group.

Business model of property investment and operation business

The Company will engage in property investment and operation business by acquiring quality properties for rental operation. Upon acquisition of the property, the Company will determine the business model according to its scale, layout and location. The properties might be leased as commercial office premises, shop units or long-term service apartments.

Criteria for selection of properties

- Located in first-tier cities and surrounding regions across the PRC.
- Located in regions with sound planning and greater growth potential.
- Located in business circles or university cities with convenient transportation and dense population.

Customer base and background

- The tenants of office premises mainly comprise small and mid-size enterprises engaging in finance, technology, investment consulting, etc.
- The tenants of shop units mainly comprise chain store brands or individual operators.

- The tenants of long-term service apartments mainly comprise white collar workers in the cities who are demanding on living environment and service.

Property portfolio

Apart from office premises, shop units and apartments, the Company will from time to time consider acquiring or investing on residential projects so as to generate income through selling or leasing of residential units, car parking spaces and ancillary shop units.

The Company commenced its property investment and operation business since acquiring shop unit with a gross floor area of 516.69 sq.m. in Liwan District, Guangzhou in June 2019. The shop unit is subject to a tenancy agreement at a monthly rental of approximately RMB32,000, which can generate stable income to the Company. In the meanwhile, the Company is acquiring 78% equity interest in San He Jing Jiao. At present, San He Jing Jiao owns certain properties and car parking spaces held for sale and for lease. San He Jing Jiao is also planning to develop additional residential properties for sale.

Source of income

The acquisition of properties with greater growth potential in prime locations for leasing not only generates stable rental income, but also generates appreciation gain through long-term property investment.

Relevant experience of management team

Mr. Leng Xiao Rong, executive Director of the Company has been the financial controller of China South City Nanning and China South City Harbin under China South City Holdings Limited for a decade and has accumulated extensive experience in office premises and comprehensive trade operation. Mr. Chau Ting Yan, executive Director of the Company and Mr. Huang Chun Feng, chief executive officer of the Company both served as the head of investment firms, capital/asset management companies and fund houses with extensive expertise and skills in various type of investment especially property investment.

Industry Overview and Business Risks

Traditional commercial leasing industries including office premises and shop units for the purpose of office or retail have a matured market with a higher price to rent ratio, which enjoys higher rental income compared with residential leasing.

Due to the population inflow in major cities in China and with the support from industry upgrades and preferential policies, long-term rental housing market has been growing rapidly in the recent years. Currently, the leasing market has shown the features of high participation of branded developers, large initial capital commitments, huge rental deviation, ongoing innovative policy support, rapid expansion of the leasing market in first-tier and second-tier cities.

The risks associated with property leasing mainly include the following:

1. Policy risk. The policy risk mainly arises from the leasing of long-term apartments. Given the imperfect legal and regulatory system in China, certain difficulties may arise in inspection acceptance for fire protection.
2. High vacancy in the leasing of office premises. Given the increasing supply of office premises in recent years, coupled with the higher rental and management fee of office premises as compared with those of residential units, this has led to a further increase in vacancy rate of office premises. However, rental yield of office premises remains more attractive. The Company may reduce the pressure on vacancies according to the market conditions through office sharing or short-term leases.
3. Fierce market competition. Property leasing faces extremely fierce competition due to the great number of participants. In many cities of economic downturn, vicious competition is seen as players recruit tenants at low rentals without regard to the costs. To this end, the Company has to set strict criteria for the selection of location where the property is located and establish a clear market positioning alongside with an innovative and groundbreaking business model to enhance the competitiveness and soft power of the Company.

Reasons for Property Investment and Operation

The Company has been making attempts in property investment business, including Zhong De Logistics project, Beijing Xinguozhan (北京新國展) ancillary project, Guangzhou Hai Yue project and Shishi Shen Guo Tou project (both projects have been already disposed), the stake of which are not controlled by the Company. In order to sustain the development of the Company's business, the Company has gradually changed the strategy, repositioning from financial investment or investment in associated companies to direct control and independent operation.

To implement such strategy, newly appointed Directors and management team of the Company are inclined to possess relevant property investment and operation experience to bring new insights to the Company.

Detailed Plans and Source of Funding

At the current stage, property investment and operation is mainly funded by its own funds and subsequently by financing depending on the actual conditions.

The following is the text of letter and valuation report, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 30 November 2019 of the property interests held by the Group in the People's Republic of China.



Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

20 December 2019

The Directors
Shenyang Public Utility Holdings Company Limited
Room 2-12-5, Block B,
Diwang Club Apartment,
No. 19 Wenyi Road,
Shenhe District, Shenyang,
the PRC

Dear Sirs,

In accordance with instructions of Shenzhen Tai He Chuang Jian Investment Development Company Limited* 深圳市泰合創建投資公司 for us to value the property interests held by Shenyang Public Utility Holdings Company Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) in the People's Republic of China (“**the PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at the 30 November 2019 (the “**Valuation Date**”) for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interest where we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests of the Property, we have valued the property by market approach assuming sale in their existing state by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion ("**the PRC legal opinion**") provided by the Group's PRC legal adviser, SD & Partners.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exteriors, and where possible, the interiors of the property, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interest, we have fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at the Valuation Date was HK\$1: RMB0.88. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith our valuation report.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA
RICS Registered Valuer
Director
Real Estate Group

Note: Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section and a member of China Institute of Real Estate and Agents, who has over 15 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION REPORT

Property interests held by the Group in the PRC for development purpose

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2019
A construction site situated at Henggang, Longgang District, Shenzhen City, Guangdong Province, the PRC	<p>The property is a construction site comprises a land parcel with a total site area of approximately 70,793.7 sq.m.</p> <p>As advised by the Company, the property will be developed into a comprehensive development with 32 buildings, in which, 21 blocks of 3-storey storage buildings, 3 blocks of 30-storey storage building, 6 blocks of 3-storey office buildings, a 31-storey dormitory and a 6-storey building for office and canteen uses. The estimated total gross floor area of the 32 buildings of the Property is approximately 152,455.5 sq.m. upon completion (excluded recreation area and underground car parking spaces and utility rooms) According to the information provided by the Company, Phase I of the development of the property was completed in early 2019, and Phase II was completed in January 2020.</p> <p>The land use rights of the property were granted by contract for 50 years for storage use commencing on 29 June 2007.</p>	Portion of the property was completed and vacant and portion of the property was under construction as at the Valuation Date.	No commercial value

Notes:

- Pursuant to a Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 6000600219), the land use rights of the property with a site area of approximately 70,793.7 sq.m. were granted to Shenzhen Zhong De Logistics Company Limited 深圳市眾德物流有限公司 (“**Zhong De Logistics**”) by contract for a term of 50 years commencing on 29 June 2007 and expiring on 28 June 2057 for storage use. As stipulated, the property is not entitled to be transferred. The permitted gross floor area of the property is stated as below:

Permitted Uses	Approximate Gross Floor Area (sq.m.)
Storage	131,900
Office	9,000
Dormitory	14,400
Canteen	700
Total:	156,000

- Pursuant to a Construction Land Planning Permit (Document No.: Shen Gui Tu Xu No. LG-2013-0044), the development condition(s) stated are as below:

Plot Ratio	Less than or equal to 2.2
Site Coverage	Less than or equal to 40%
Greenery Ratio	Not less than 30%
Building Height Restriction	High-rise (not less than 12 meter), Multi-storey (not less than 9 meter)

- According to a Construction Work Planning Permit (Document No.: Shen Gui Tu Jian Xu Zi No. LG-2015-0062(Gai 1)), the property is permitted to be developed with 34 buildings with the total floor area of approximately 236,518.85 sq.m. The detailed breakdowns are as follows:

Designed Use(s)	Approximate Total Gross Floor Area (sq.m.)	Included in Gross Floor Area permitted
Storage	131,900.0	Yes
Office	9,000.0	Yes
Dormitory	14,400.0	Yes
Canteen	700.0	Yes
Recreational Area	391.8	Yes
Underground car parking spaces	73,495.62	No
Public utility rooms	6,631.43	No
Total	236,518.85	

- Pursuant to a Fixed Asset Mortgage Contract (Contract No.: Jie 2016 Gu 04290 An Bao), the property is subject to a mortgage in favour of Shenzhen Branch of the China Construction Bank at a loan amount of RMB350,000,000.
- According to the information provided by the Company, the Phase I of the development of the property with a total gross floor area of approximately 43,049.84 sq.m. was completed as at the Valuation Date.

6. The property was inspected by our Mr. Lawrence Chan (MRICS, MHKIS, RPS(GP), MCIREA, MHIREA, RICS Registered Valuer) on 14 March 2019, the external condition of the property was reasonable.
7. According to the information provided by the Company, Shenzhen Zhong De Logistics Company Limited is a 30% owned subsidiary of Shenzhen He Hui Huang Development Company Limited* 深圳市合輝煌發展有限公司 (the “Disposal Company”), which is an indirectly 66.67% owned subsidiary of the Company.
8. We have ascribed no commercial value due to the property is not entitled to be transferred in the market. However, for indicative purpose, the market value of the property in existing state as at the Valuation Date is RMB1,645,200,000 (equivalent to approximately HK\$1,869,500,000) and the market value in existing state attributable to the Group as at the Valuation Date is RMB329,000,000 (equivalent to approximately HK\$373,900,000) by assuming the property is entitled to be transferred in the market.
9. The property is situated at Henggang, Longgang District, buildings in the locality are low to high rise industrial, commercial and residential buildings. It is approximately 40-minutes driving distance to Shenzhen East Station. Taxis and buses are accessible to the property.
10. The average unit rate of similar industrial premises and underground parking spaces in the locality as at the Valuation Date is in the range of approximately RMB11,000 per sq.m. to RMB21,000 per sq.m. and RMB100,000 to RMB170,000 per car parking space respectively.

In our valuation, we have valued the property by market approach. Reference is made to recent proposed transactions of comparable industrial premises and underground car parking spaces in the locality. Adjustments were made subject to various factors, including but not limited to location, building quality, proposed date and quantum allowance to arrive at the appraised unit rates for the industrial premises and underground car parking spaces of the Property. The market value of the industrial portion of the Property in existing state as at the Valuation Date is derived from the appraised unit rate per sq.m. multiplied by the total gross floor area of the industrial portion of the Property, whereas the market value of the underground car parking spaces portion of the Property in existing state as at the Valuation Date is derived from the appraised unit rate per car parking space multiplied by the total number of underground car parking spaces of the Property. Hence, the market value of the Property is the sum of the market values of industrial portion and underground car parking space portion of the Property.

11. The market value of the property after completion in accordance with the development schedule provided by the Company as at the Valuation Date is RMB2,085,300,000 (equivalent to approximately HK\$2,369,660,000).
12. According to the information provided by the Company, the construction cost incurred in Phase II of the property as at the Valuation Date is RMB457,527,133 and the outstanding construction cost is RMB270,181,640.
13. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, SD & Partners, which contains, inter alia, the following information:
 - (a) According to the Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 6000600219, the current registered owner of the property is Shenzhen Zhong De Logistics Company Limited, however, as stated in the Real Estate Ownership Certificate, the property is not entitled to be transferred in the market;
 - (b) The property is subject to a mortgage as stated in Note 4; and
 - (c) Except the legal encumbrances stated in Note 4, the property is free from any orders and legal encumbrances which may cause adverse effects to the ownership of the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors', Chief Executives' and Supervisors' Interests and short position in the securities of the Company

As at the Latest Practicable Date, none of the Directors, Chief Executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than Director or chief executive of the Company) had, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Company (if any) or had any options in respect of such capital:

	Beneficial owners	Shares	Percentage of total issued share capital
1	Beijing Hua Xia Ding Technology Company Limited*	420,000,000 Domestic Shares	28.58%

	Beneficial owners	Shares	Percentage of total issued share capital
2	Huang Guang Fu (<i>note 1</i>)	420,000,000 Domestic Shares	28.58%
3	Beijing Lichuang Future Technology Co., Ltd.	180,000,000 Domestic Shares	12.25%
4	Zhai Mingyue (<i>note 2</i>)	180,000,000 Domestic Shares	12.25%
5	HKSCC Nominees Limited (<i>note 3</i>)	599,147,690 H-Shares (listed shares)	40.78%

Notes:

1. Huang Guang Fu is a PRC resident who holds 100% equity interests in Beijing Hua Xia Ding Technology Company Limited*. Pursuant to section 316 of the SFO, Huang Guang Fu is also deemed to be interested in the underlying shares of the Company held by Beijing Hua Xia Ding Technology Company Limited*.
2. Zhai Mingyue is a PRC resident who holds 100% equity interests in Beijing Lichuang Future Technology Co., Ltd. Pursuant to section 316 of the SFO, Zhai Mingyue is also deemed to be interested in the underlying shares of the Company held by Beijing Lichuang Future Technology Co., Ltd.
3. As notified by HKSCC Nominees Limited, as at 31 December 2018, the following participants of CCASS had interests amounting to 5.00% or more of the total issued H-Shares of the Company as shown in the securities accounts in CCASS:
 - (1) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 90,998,740 H-Shares, representing 15.03% of the issued H-Shares of the Company.
 - (2) Bank of China (Hong Kong) Limited as nominee holds 67,666,000 H-Shares, representing 11.17% of the issued H-Shares of the Company.
 - (3) Ever-Long Securities Company Limited as nominee holds 64,648,000 H-Shares, representing 10.67% of the issued H-Shares of the Company.

Save as aforesaid, as at the Latest Practicable Date, so far as was known to the Directors, no person had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company (if any) or who had any option in respect of such capital.

3. INTERESTS IN GROUP'S ASSETS, CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interests in any assets which have since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

The Company has entered into service contracts with all of the Directors and the Supervisors. As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning of the Listing Rules) had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company within the two years preceding the Latest Practicable Date and are or may be material:

- i. the Disposal Agreement
- ii. a disposal agreement entered into between Tai He Chuang Jian Investment Development Company Limited* 深圳市泰合創建投資發展有限責任公司, being a wholly-owned subsidiary of the Company and Shenzhen Hou Feng Trading Company Limited* 深圳市厚豐貿易有限公司 on 12 September 2018 regarding the disposal of 20% equity interests of Hai Yue Real Estate
- iii. share purchase agreements entered into between Zhongfang Chaozhou and vendors on 3 January 2019 and on 24 January 2019 respectively in relation to the acquisition of shares of Chaozhou Rural Credit Union

- iv. a supplemental agreement entered into between Shenzhen Shenxi, SNP Investment, SHHH Development, Zhong De Logistics, Lu Hancai and Ma Xinan (both being natural persons) on 12 March 2019, pursuant to which it is agreed that the capital contribution in Zhong De Logistics will be replaced by the acquisition of an aggregate of 66.67% equity interest in SHHH Development by Shenzhen Shenxi from Lu Hancai and Ma Xinan
- v. a sale and purchase agreement entered into between Shenzhen Shenhe Chuangli Investment and Development Company Limited* 深圳市深合創立投資發展有限公司 and Beijing Chengyang Software Company Limited* 北京程陽軟體有限公司 on 24 June 2019 in relation to the acquisition of 100% equity interests of Beijing Yufeng Chengyou Technology Company Limited* 北京禦風程遊科技有限公司
- vi. a disposal agreement entered into between the Company and Guangzhou Yiwan Trading Company Limited* 廣州藝苑貿易有限公司 on 24 June 2019, the in relation to the disposal of 100% equity interests of Shenzhen Shen He
- vii. a sale and purchase agreement entered into between the Company, through its a wholly-owned subsidiary and Shanghai Wanbang Enterprise Group Company Limited* 上海萬邦企業集團有限公司, Shenzhen Wanbang Real Estate Company Limited*, 深圳市萬邦置業有限公司 and Shenzhen Zhaowanda Investment Company Limited* 深圳市兆萬達投資有限公司 on 28 October 2019 in relation to the acquisition of 78% equity interest of San He Jing Jiao Property Development Company Limited
- viii. the Share Transfer Agreement entered into between Shenzhen Tong He Chuangjian Investment Development Company Limited* (深圳市同合創建投資發展有限責任公司) and Shenzhen Zhongtou Construction Investment Company Limited* (深圳市中投建設投資有限公司) on 16 November 2018 regarding the acquisition of 90% equity interest of Guangdong Xinmao Biotechnology Company Limited* (廣東鑫茂生物科技有限公司)
- ix. the Share Transfer Agreement entered into between Shenzhen Ju Sheng Chuang Jian Investment and Development Limited* (深圳市聚璽投資發展有限公司) and Shenzhen Chen Sui Industrial Investment Company Limited* (深圳市琛穗實業投資有限公司) on 16 November 2018 regarding the acquisition of 90% equity interest of Chaozhou Jiafu Packaging Materials Company Limited* (潮州市佳富包裝材料有限公司)
- x. Property Acquisition Agreement entered into between Beijing Shen Shang Investment & Consulting Company Limited* (北京瀋商投資諮詢有限公司), a wholly-owned subsidiary of the Company and San He Jing Jiao Property Development Company Limited* (三河京郊房地產開發有限公司) on 9 February 2018 regarding an acquisition of a property, namely Tian Zi Zhuang Yuan (天子莊園), located at Yanjiao National High Tech Industrial Development Area, Sanhe City, Hebei Province

- xi. a supplemental agreement entered into between SHHH Development, SNP Investment and Zhong De Logistic on 5 February 2018 to supplement the certain terms and conditions of the Capital Contribution Agreement

7. LITIGATION

At the Latest Practicable Date, the Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Company.

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The following is the qualification of the each of the experts who has given its opinion or advice which is contained in circular:

Name	Qualifications
Grant Sherman Appraisal Limited	independent professional valuer

Grant Sherman Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Grant Sherman Appraisal Limited was not beneficially interested in the share capital of the Company nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company nor did it have any interest, either direct or indirect, in any asset which has been, since the date to which the latest published audited consolidated financial statements of the Company were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to the Company.

9. CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed “Statement of Indebtedness” in Appendix I to this circular, the Directors were not aware of any material changes in respect of the indebtedness or other contingent liabilities of the Group since 31 December 2018.

10. MISCELLANEOUS

- (i) The registered address of the Company is at No. 1-4, 20A, Central Street, Shenyang Economic and Technological Development Zone, the PRC.
- (ii) The principal place of business of the Company in the PRC is at Room 2-12-5, Block B, Diwang Club Apartment, No. 19 Wenyi Road, Shenhe District, Shenyang, the PRC.

- (iii) The principal place of business of the Company in Hong Kong is at 8/F., Skyway Centre, 23 Queen's Road West, Sheung Wan, Hong Kong.
- (iv) The H-Share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (v) The joint company secretaries of the Company are Mr. Tung Sze Ho Dicky and Ms. Qian Fang Fang. Mr. Tung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has extensive experiences in the company secretarial field.
- (vi) Unless otherwise stated, in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at 8/F., Skyway Centre, 23 Queen's Road West, Sheung Wan, Hong Kong and on the Company website at www.shenyang747.com during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the Property Valuation Report issued by Grant Sherman Appraisal Limited, the Independent valuer, the text of which is set out in Appendix II of this circular;
- (iii) the letter, summary of value and valuation certificate prepared by Grant Sherman Appraisal Limited, the text of which is set out in Appendix II to this circular;
- (iv) the written consents referred to in the section headed "Qualifications and Consent of Experts" in this Appendix;
- (v) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018;
- (vi) the material contracts referred to in the section headed "Material Contracts" in this Appendix;
- (vii) the service contracts referred to in the section headed "Service Contracts" in this Appendix; and
- (viii) this circular.

* For identification purposes only



瀋陽公用發展股份有限公司
Shenyang Public Utility Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 747)

**NOTICE OF THE FIRST EXTRAORDINARY
GENERAL MEETING FOR 2020**

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting for 2020 (“EGM”) of Shenyang Public Utility Holdings Company Limited (the “**Company**”) will be held at 2:30 p.m. on 11 February 2020 (Tuesday) at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC for the following purposes:

BY WAY OF ORDINARY RESOLUTIONS:

1. “**THAT**

- (a) the disposal agreement (“**Disposal Agreement**”) dated 4 July 2019 between Shenzhen Shenxi Investment & Development Company Limited* 深圳市沈璽投資發展有限公司, a wholly-owned subsidiary of the Company as the vendor and Shenzhen Hongxun Investment Company Limited* 深圳市鴻訊投資發展有限公司 as the purchaser (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved and confirmed; and
- (b) any one or more of the directors of the Company be and is/are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry and implement the Disposal Agreement and all the transactions contemplated thereunder.”

By order of the Board
Shenyang Public Utility Holdings Company Limited
Zhang Jing Ming
Chairman

Shenyang, the PRC, 20 December 2019

NOTICE OF EGM

Notes:

1. Each shareholder entitled to attend and vote at the EGM is entitled to appoint in written form one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a member of the Company. Shareholders or their proxies are entitled to attend the EGM and vote.
2. To be valid, the proxy form together with the certified power of attorney or authority (if any) must be delivered to the Company's H share registrar in Hong Kong, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and in case of holders of Domestic shares, with the Company's office at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC not later than 24 hours before the time appointed for holding the EGM or the time appointed for passing the resolutions or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Shareholders or their proxies shall produce their identity documents when attending the EGM.
4. The register of the members of the Company will be closed from 13 January 2020 to 11 February 2020 (both dates inclusive), during which period no transfers of H Shares will be effected.
5. Shareholders whose names appear on the register of members of the Company on 10 January 2020 will be entitled to attend and vote at the EGM.
6. To be eligible to attend and vote at the EGM, all transfer documents must be lodged with the H Share Registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for holders of H-Shares no later than 4:30 p.m. on 10 January 2020 (for holders of H Shares) or the Company's office at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC (for the holders of Domestic Shares) no later than 4:00 p.m. on 10 January 2020.
7. H Shareholders entitled to attend the EGM are requested to deliver the reply slip for attendance to the Company's H Share Registrar, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 21 January 2020.
8. Domestic Shareholders entitled to attend the EGM are requested to deliver the reply slip for attendance to the Company's office at 2606A, Jinzhonghuan Main Business Building, No. 3037 Jintian Road, Futian, Shenzhen, the PRC on or before 21 January 2020.
9. The EGM is expected to last for less than one day. Shareholders and their proxies attending the EGM shall be responsible for their own traveling and accommodation expenses.

* *For identification purpose only*