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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
60% EQUITY INTEREST OF SHENNONGJIA DA JIU HU HOTEL  
COMPANY LIMITED**

**THE ACQUISITION**

The Board is pleased to announce that on 16 October 2020 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing 60% equity interest of the Target Company, and the Sale Loan for an aggregate consideration of RMB35,000,000 (equivalent to approximately HK\$40,334,000).

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the Group's consolidated financial statements.

**IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition of the Equity Transfer Agreement exceeds 5% but is less than 25%, the Acquisition of the Equity Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**The Acquisition is subject to the fulfilment of the conditions precedent as set out in the Equity Transfer Agreement and the Completion thereof may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## THE ACQUISITION

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## THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

- Date:** 16 October 2020 (after trading hours)
- Parties:**
- (i) Shenzhen Apple Culture Media Company Limited\* (深圳市蘋果文化傳媒有限公司), being the Vendor; and
  - (ii) Shenzhen Ju Sheng Chuang Jian Investment and Development Limited\* (深圳市聚晟創建投資發展有限公司), being the Purchaser
- (each a “**Party**” and collectively, the “**Parties**”)

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in Chapter 14A of the Listing Rules).

### Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing 60% equity interest of the Target Company and the Sale Loan for an aggregate consideration of RMB35,000,000 (equivalent to approximately HK\$40,334,000). As at the date of the Equity Transfer Agreement, the Target Company is owned as to 100% by the Vendor. The total outstanding amount of the Sale Loan due from the Target Company to the Vendor was approximately RMB33,553,666 (equivalent to approximately HK\$38,667,245) as at 31 July 2020.

The Target Company holds the land use rights of two parcels of adjoining land, which were granted by the PRC government, a total site area of approximately 35,506 square metres located in Ping Qian Ancient Town, Da Jiu Hu, Shennongjia Forestry District, Hubei Province, the PRC\* (湖北省神農架林區大九湖坪阡古鎮) for commercial hotel service use (the “**Property**”).

## Consideration

The aggregate consideration of the Acquisition is RMB35,000,000 (equivalent to approximately HK\$40,334,000) of which approximately RMB1,446,334 (equivalent to approximately HK\$1,666,755) is for the Sale Shares and approximately RMB33,553,666 (equivalent to approximately HK\$38,667,245) is for Sale Loan. The consideration shall be payable in cash by the Purchaser to the Vendor in the following manner:

- (i) the first instalment of RMB15,000,000 (equivalent to approximately HK\$17,286,000) shall be paid by the Purchaser to the Vendor within 1 month upon signing the Equity Transfer Agreement; within 30 days upon the payment of the first instalment by the Purchaser, the Vendor shall complete the change of industrial and commercial registration in relation to the transfer of the 60% equity interest of the Target Company; and
- (ii) the remaining balance of RMB20,000,000 (equivalent to approximately HK\$23,048,000) shall be payable by the Purchaser to the Vendor within 3 months after the Vendor having assisted to complete the change of industrial and commercial registration in relation to the transfer of the 60% equity interest of the Target Company.

The consideration of the Acquisition was determined after arm's length negotiation among the Parties with reference to, among other things, the valuation report and the business prospect of the Property, including the blooming prospect of the tourism industry in Shennongjia\* (神農架) (as discussed in the section headed "**REASONS FOR THE ACQUISITION**"). A valuation report conducted by an independent valuer showed that the market value of the Property as at 31 July 2020 is RMB33,470,000 (equivalent to approximately HK\$38,570,828) by using market approach. The Property comprises two parcels of adjoining land with various constructions in progress erected thereon. The total site area of the Property is approximately 35,506 square metres. The land-use rights of the Property were granted for a term expiring on 23 October 2058 for commercial hotel service use.

## Conditions precedent

Completion shall take place upon all of the following conditions are fulfilled or waived (as the case may be):

- (i) the Board meeting being held by the Company and the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder being passed;
- (ii) the necessary permission, consent and approval (including but not limited to the approval of the board of directors of the Purchaser) under the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained by the Purchaser;
- (iii) the necessary permission, consent and approval (including but not limited to the approval of the board of directors of the Vendor) under the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained by the Vendor;

- (iv) the waivers, consents, approvals, permissions, authorizations and commands, if necessary, which in relation to the government, the regulatory authorities or the third party in relation to the Equity Transfer Agreement and the transactions contemplated thereunder being obtained;
- (v) the warranties and undertakings made by the Parties being true and accurate and not misleading and no facts or circumstances in relation to the Vendor shall constitute or may constitute any breach of the warranties made by the Vendor to the Purchaser or the Equity Transfer Agreement; and
- (vi) the obligations of the Parties under the Equity Transfer Agreement not being violated.

If the above conditions have not been fulfilled on or before the Long Stop Date or such later date as the Parties may agree, the Equity Transfer Agreement and the Acquisition shall be terminated. The Vendor shall refund all the consideration being paid by the Purchaser under the Equity Transfer Agreement within 30 business days upon the termination of the Equity Transfer Agreement. If the above condition precedent (v) is violated by the Vendor, the Vendor shall make compensation pursuant to certain provisions of the Equity Transfer Agreement.

If the Vendor violates the warranties and undertakings made under certain provisions of the Equity Transfer Agreement, which results in the inability to complete the transfer of the Sale Shares as agreed in the Equity Transfer Agreement, the Purchaser has the right to unilaterally terminate the Equity Transfer Agreement, and the Vendor shall refund all the consideration paid by the Purchaser within 30 business days from the date of signing the termination agreement, and shall pay liquidated damages of RMB3.0 million to the Purchaser. If the liquidated damages are not enough to compensate the Purchaser for the losses caused thereby, the Purchaser has the right to claim compensation from the Vendor.

## **Completion**

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and as to 40% by the Vendor.

## **INFORMATION ON THE VENDOR AND THE TARGET COMPANY**

### **Information on the Vendor**

The Vendor is a company established in the PRC with limited liability and is principally engaged in cultural and artistic event planning, corporate image planning, image design, advertising business, conference services, exhibition services, etiquette services, domestic trade and e-commerce management. As at the date of the Equity Transfer Agreement, the Vendor holds 100% equity interest of the Target Company and the Vendor is owned as to 99% by He Qin Hui\* (何欽輝) and as to 1% by Ge Ming\* (葛明).

## Information on the Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaged in hotel management.

The Target Company conducts the hotel development project and the Property under the project located in Ping Qian Ancient Town, Da Jiu Hu, Shennongjia Forestry District, Hubei Province, the PRC\* (湖北省神農架林區大九湖坪阡古鎮). The proposed name of the hotel is Shennongjia Da Jiu Hu Hotel\* (神農架大九湖賓館).

The Property has a total site area of approximately 35,506 square metres, the total gross floor area of the Property is 48,803.9 square metres, of which the area of hotel construction is 29,370.09 square metres, the area of staff dormitory is 1,337.49 square metres, the commercial area is 4,645.94 square metres, the area of underground garage is 11,593.06 square metres, the area of equipment and house is 1,704.98 square metres, and the area of property management house is 152.34 square metres.

The architectural design concept of the Property is “Return to the Local” (回歸鄉土). Through the selection of local materials, local culture will be reflected. The local architectural culture will be reshaped, aiming at building a premium hotel. There are 567 rooms in the Property, of which 531 rooms are from hotel, and 36 rooms are from staff dormitory.

## Financial information of the Target Company

Set out below summaries the audited financial information of the Target Company for the two financial years ended 31 December 2018 and 2019:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2019</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(Audited)</b>	<b>(Audited)</b>
Revenue	—	—
Net profit/(loss) before taxation	212	<b>(34)</b>
Net profit/(loss) after taxation	212	<b>(34)</b>

As at 31 July 2020, the adjusted net assets of the Target Company is approximately RMB-83,277 (equivalent to approximately HK\$-95,968).

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the Group’s consolidated financial statements.

## REASONS FOR THE ACQUISITION

The Group is principally engaged in the infrastructure and construction business in the PRC.

In order to improve the economic condition in Hubei Province after the epidemic, Provincial Department of Culture and Tourism\* (湖北省文化和旅遊廳) will accelerate the development of tourism project construction. It have also announced recently the number of tourists in Shennongjia rose from 8.78 million in 2015 to 18.28 million last year, an average increase of 21.6% annually.

In recent years, the PRC government is actively developing the public transportation and infrastructure of Shennongjia. Now, tourists can travel to Shennongjia directly by tourist coaches or plane. There are tourist coaches running from Chongqing, Xi'an, Zhengzhou, Yichang, Nanyang, Suizhou and other places to Shennongjia. The Shenbao Expressway\* (神保高速) and the Zhengwan High-speed Railway\* (鄭萬高鐵) are also under construction. It is expected that the expressway will be completed by the end of 2020 and the high-speed railway will be available in 2022. By then, the traffic situation in Shennongjia will be greatly improved and tourism industry will continue to flourish driven by the rapid infrastructure development.

It is believed that the strong support of government policy will be helpful in completing and future marketing of the Property as well as propelling the tourism and the hospitality industry.

Given the Property is located in prime area of the national wetland park in Hubei Province and the Property will be shaped into a premium hotel with good future development, the Board considers that the Acquisition will be a good opportunity for the Group to diversify the sources of income for the Company.

The Property has obtained the approval from the PRC government and legal document, including but not limited to, construction land planning permit\* (建設用地規劃許可證), the real estate ownership certificate\* (不動產權證書) and construction work commencement permit\* (建築工程施工許可證). In light of the permission and approval granted by the PRC government and authorities, the Directors are confidence in the Property, moreover, more time and cost will be saved lifting the complicated procedures for such application. The Company plans to invest approximately RMB280 million in the Property in the coming three years by its internal resources but the Company will not rule out the possibility of exploring other fundraising options if and when necessary.

In light of the above, the Board is of the view that the Acquisition is in the interests of the Group and the terms and conditions of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition of the Equity Transfer Agreement exceeds 5% but is less than 25%, the Acquisition of the Equity Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**The Acquisition is subject to the fulfilment of the conditions precedent as set out in the Equity Transfer Agreement and the Completion thereof may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Shenyang Public Utility Holdings Company Limited, a company incorporated in the PRC with limited liability and the Shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rule
“Director(s)”	the director(s) of the Company
“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
“Equity Transfer Agreement”	the equity transfer agreement dated 16 October 2020 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC



“H-Share(s)”	overseas listed foreign ordinary share(s) in share capital of the Company, with a nominal value of RMB1 each, all of which are listed on the main board of the Stock Exchange, and subscribed for and traded in Hong Kong dollars
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	16 April 2021
“PRC”	the People’s Republic of China
“Purchaser”	Shenzhen Ju Sheng Chuang Jian Investment and Development Limited* (深圳市聚晟創建投資發展有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Loan”	the entire amount of the shareholder’s loan owing by the Target Company to the Vendor as at 31 July 2020
“Sale Shares”	60% equity interest of the Target Company to be acquired by the Purchaser and to be sold by the Vendor according to the Equity Transfer Agreement
“Share(s)”	H-Share(s) and Domestic Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shennongjia Da Jiu Hu Hotel Company Limited (神農架大九湖賓館有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Vendor
“Vendor”	Shenzhen Apple Culture Media Company Limited* (深圳市蘋果文化傳媒有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* For identification purpose only



*The translation of RMB into HKD throughout this announcement is based on the exchange rate of RMB1 to HK\$1.1524 quoted on 15 October 2020 which is provided for information purposes only.*

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

Shenyang, the PRC, 16 October 2020

*As at the date of this announcement, the executive Directors are Mr. Zhang Jing Ming, Mr. Leng Xiao Rong and Mr. Chau Ting Yan, the non-executive Directors are Mr. Yin Zong Chen and Mr. Ye Zhi E and the independent non-executive Directors are Mr. Chan Ming Sun Jonathan, Mr. Guo Lu Jin and Ms. Gao Hong Hong.*