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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 DISPOSAL OF 90%
EQUITY INTEREST IN
CHAOZHOU JIAFU PACKAGING
MATERIALS COMPANY LIMITED***

THE DISPOSAL

On 19 April 2021 (after trading hours), the Vendor I, a wholly owned subsidiary of the Company has entered into the Share Transfer Agreement with the Purchasers and the Vendor II pursuant to which (i) the Vendor I has agreed to sell, and the Purchasers have agreed to purchase the Sale Loan and the Sales Shares, representing 90% equity interest of the Target Company as at the date of the Share Transfer Agreement at the Vendor I Consideration of RMB16,308,000 (equivalent to approximately HK\$19,433,000); and (ii) the Vendor II has agreed to sell, and the Purchasers have agreed to purchase the 10% equity interest of the Target Company as at the date of the Share Transfer Agreement at the Vendor II Consideration of RMB1,812,000 (equivalent to approximately HK\$2,159,000). The Total Consideration for the entire equity interest of the Target Company and the Sale Loan, payable to the Vendor I and the Vendor II, is RMB18,120,000 (equivalent to approximately HK\$21,592,000).

Upon the Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 19 April 2021 (after trading hours), the Vendor I, a wholly owned subsidiary of the Company has entered into the Share Transfer Agreement with the Purchasers and the Vendor II pursuant to which (i) the Vendor I has agreed to sell, and the Purchasers have agreed to purchase the Sale Loan and the Sales Shares, representing 90% equity interest of the Target Company as at the date of the Share Transfer Agreement at the Vendor I Consideration of RMB16,308,000 (equivalent to approximately HK\$19,433,000); and (ii) the Vendor II has agreed to sell, and the Purchasers have agreed to purchase the 10% equity interest of the Target Company as at the date of the Share Transfer Agreement at the Vendor II Consideration of RMB1,812,000 (equivalent to approximately HK\$2,159,000). The Total Consideration for the entire equity interest of the Target Company and the Sale Loan, payable to the Vendor I and the Vendor II, is RMB18,120,000 (equivalent to approximately HK\$21,592,000).

THE SHARE TRANSFER AGREEMENT

Principal terms of the Share Transfer Agreement are set out as follows:

Date

19 April 2021

Parties

Purchaser I: Mr. Tang Gang* 唐剛

Purchaser II: Mr. He Caiwen* 何才文

Purchaser III: Mr. Wang Xiaofei* 王曉飛

Purchaser IV: Mr. Chen Yong* 陳勇

(collectively, the “**Purchasers**”)

Vendor I: Shenzhen JuSheng Chuang Jian Investment and Development Limited* (深圳市聚璽投資發展有限公司), a company with limited liability incorporated under the laws of the PRC and a wholly owned subsidiary of the Company

Vendor II: Mr. Liu Junyong* 劉俊永

(collectively, the “**Vendors**”)

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

Assets to be disposed

Sale Shares

The Sale Shares represent 90% equity interest of the Target Company. For further details of the Target Company, please refer to the section headed “INFORMATION ON THE TARGET COMPANY”.

Sale Loan

The Sale Loan represents all amounts of outstanding shareholder’s loan owed by the Target Company to the Vendor I before Completion. As at 31 March 2021, the amount of the Sale Loan is approximately RMB22,364,000 (equivalent to approximately HK\$26,649,000).

Consideration and payment terms

The Total Consideration payable to the Vendor I and the Vendor II for the entire equity interest and the Sale Loan of the Target Company is RMB18,120,000 (equivalent to approximately HK\$21,592,000). Pursuant to the Share Transfer Agreement, the Purchasers will make the payment in the following manners:

- (i) a sum of RMB9,060,000 (equivalent to approximately HK\$10,796,000) which is 50% of the Total Consideration shall be paid to the Vendor I and the Vendor II immediately upon the signing of the Share Transfer Agreement, of which RMB8,154,000 (equivalent to approximately HK\$9,716,000) shall be paid to the Vendor I and RMB906,000 (equivalent to approximately HK\$1,080,000) shall be paid to the accounts designated by the Vendor II. The Vendor I and the Vendor II agree to transfer and deliver the original real estate registration certificate, the existing lands and buildings of the Target Company to the Purchasers on the payment day; and
- (ii) the remaining balance of RMB9,060,000 (equivalent to approximately HK\$10,796,000) shall be paid to the Vendor I and the Vendor II within 3 days after the date of completion of change of industrial and commercial registration provided that each of the parties shall complete the application of the change of industrial and commercial registration before 31 May 2021, of which RMB8,154,000 (equivalent to approximately HK\$9,716,000) shall be paid to the Vendor I and RMB906,000 (equivalent to approximately HK\$1,080,000) shall be paid to the accounts designated by the Vendor II. The Vendor I and the Vendor II shall transfer the amended business license, official seal, financial seal and other relevant information to the Purchasers on a timely manner.

The Vendor I Consideration was determined after arm’s length negotiations between the Purchasers and the Vendor I on normal commercial terms with a premium of the aggregate of (i) the Sale Loan; and (ii) the attributable net liabilities of the Target Company. As such, the Board considers that the Vendor I Consideration is fair and reasonable and on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

Tax and other liabilities arrangement

For the avoidance of doubt, the debts owed or to be incurred by the Target Company will have the following arrangement:

- (i) the Target Company had previously received subsidies of RMB7,980,000 (equivalent to approximately HK\$9,509,000) from Zhongshan and Chaozhou governments. Upon signing of the Share Transfer Agreement, in case the subsidies are subject to refund, it shall be responsible by the Target Company after Completion. Otherwise, the Target Company will retain the subsidies if the subsidies are not subject to refund;
- (ii) the Target Company had paid off all incurred land use tax for 2020. The land use tax to be incurred starting from 2021 shall be responsible by the Target Company after Completion. Any other relevant expenses will not be the responsibility of the Vendor I and the Vendor II and will be repaid by the Target Company;
- (iii) the liability owed by the Target Company to Teo Ann branch of Hubei Hengchang Construction Engineering Company Limited* (湖北恆廣建築工程有限公司潮安分公司) of RMB4,209,131.69 (equivalent to approximately HK\$5,016,000) shall be repaid by Vendor II after Completion, and will not be the responsibility of the Vendor I; and
- (iv) any liabilities of the Target Company owed to the other third parties, litigations and unfulfilled contracts (including but not limited to the design fee of construction works and drilling fee) incurred before Completion shall be responsible by the Vendor II, and will not be the responsibility of the Vendor I and the Purchasers.

Completion

Upon the Completion, the Target Company will be owned as to 22% by Purchaser I, 18% by Purchaser II, 30% by Purchaser III and 30% by Purchaser IV, respectively.

Upon the Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANY

Chaozhou Jiafu Packaging Materials Company Limited* (潮州市佳富包裝材料有限公司) is a company established under the laws of the PRC with limited liability. It is principally engaged in sales of packaging materials, daily necessities, plastic products, environmentally friendly materials.

The Target Company currently is still in progress of construction of plants. The plants are located at the site No. JN06-05-2 of Jingnan Branch, Zhongshan (Chaozhou) Industrial Transfer Park* (中山(潮州)產業轉移工業園經南分園JN06-05-2地塊) (formerly known as Shenzhen (Chaozhou) Industrial Transfer Park, Jingnan Branch (深圳(潮州)產業轉移工業園經南分園)).

Financial Information of the Target Company

The table below sets forth a summary of the audited financial information of the Target Company (prepared in accordance with the PRC accounting standard) for each of the financial years ended 31 December 2019 and 2020.

	For the year ended 31 December 2019	For the year ended 31 December 2020
	(Audited)	(Audited)
	<i>RMB</i>	<i>RMB</i>
	<i>Approximately</i>	<i>Approximately</i>
Net (loss)/profit before tax	(244,000)	(22,787,000)
Net (loss)/profit after tax	(244,000)	(22,787,000)

The audited net liabilities of the Target Company as at 31 December 2020 was approximately RMB19,587,000 (equivalent to approximately HK\$23,340,000).

INFORMATION ON THE PURCHASERS

The Purchasers are Mr. Tang Gang* 唐剛, Mr. He Caiwen* 何才文, Mr. Wang Xiaofei* 王曉飛 and Mr. Chen Yong* 陳勇. Each of the Purchasers, is a PRC individual resident.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As at the date of this announcement, the Group is principally engaged in infrastructure construction and property development in the PRC.

As at 31 December 2020, the net liabilities of the Target Company was approximately RMB19.6 million and recorded no revenue. Considering the financial performance and after reviewing the business and operation status of the Target Company, the Board considers that the Vendor I Consideration can recover a large proportion of receivables owed by the Target Company to the Group. Besides, the Disposal will bring immediate cash flow and will enhance the financial position of the Group. It also allows the Group to reallocate the financial resources into other business development and needs of the Company such as the hotel development project under the Shennongjia Da Jiu Hu Hotel Company Limited (神農架大九湖賓館有限公司).

In consideration of the above factors, the Directors are of the view that the Disposal is in the interests of the Group and the terms and conditions of the Share 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.

FINANCIAL EFFECTS OF THE SHARE DISPOSAL AND INTENDED USE OF PROCEEDS

As at the date of this announcement, the Company owned 90% of the equity interest in the Target Company. Upon the Completion, the Company will no longer have any interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

As a result of the Disposal, the Group is expected to recognise a gain of approximately RMB11,532,000 (equivalent to approximately HK\$13,742,000) which is calculated on the basis of the difference between the Vendor I Consideration to be received by the Vendor I and 90% of the net asset value of the Target Company as at 31 December 2020, the Sale Loan and the transaction costs. The actual financial effect of the Disposal to the Group will be subject to review and final audit by the auditors of the Company.

The net proceeds of the Disposal of approximately RMB16,268,000 (equivalent to approximately HK\$19,385,000) will be used by the Company (i) approximately RMB15,000,000 (equivalent to HK\$17,874,000) for the construction of 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) and (ii) approximately RMB1,268,000 (equivalent to HK\$1,511,000) for the general working capital.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Board”	the board of Directors
“Company”	Shenyang Public Utility Holdings Company Limited, a company incorporated in the PRC with limited liability and its H-Shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares and the Sale Loan by the Vendor I to the Purchasers as contemplated under the Share Transfer Agreement

“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
“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
“PRC”	the People’s Republic of China
“Purchaser I”	Mr. Tang Gang* (唐剛)
“Purchaser II”	Mr. He Caiwen* (何才文)
“Purchaser III”	Mr. Wang Xiaofei* (王曉飛)
“Purchaser IV”	Mr. Chen Yong* (陳勇)
“Sale Loan”	represents all amounts of outstanding shareholder’s loan owed by the Target Company to the Vendor I before Completion. As at 31 March 2021, the amount of the Sale Loan is approximately RMB22,364,000 (equivalent to approximately HK\$26,649,000).
“Sale Shares”	90% equity interest of the Target Company as at the date of the Share Transfer Agreement
“Share Transfer Agreement”	the share transfer agreement dated 19 April 2021 entered into among the Purchasers, the Vendor I and the Vendor II in relation to the disposal of the entire equity interest and the Sale Loan of the Target Company
“Shareholder(s)”	holder(s) of the H-Shares and the Domestic Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Chaozhou Jiafu Packaging Materials Company Limited* (潮州市佳富包裝材料有限公司), a company established under the laws of the PRC with limited liability

“Total Consideration”	the total consideration of RMB18,120,000 (equivalent to approximately HK\$21,592,000) for the entire equity interest of the Target Company and the Sale Loan paid by the Purchasers to the Vendor I and the Vendor II pursuant to the Share Transfer Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Vendor I”	Shenzhen JuSheng Chuang Jian Investment and Development Limited* (深圳市聚璽投資發展有限公司), a company with limited liability incorporated under the laws of the PRC and a wholly owned subsidiary of the Company
“Vendor II”	Mr. Liu Junyong* (劉俊永), a shareholder of the Target Company who owns 10% equity interest as at the date of the Share Transfer Agreement
“Vendor I Consideration”	the consideration of RMB16,308,000 (equivalent to approximately HK\$19,433,000) for the Sale Shares and the Sale Loan paid by the Purchasers to the Vendor I pursuant to the Share Transfer Agreement
“Vendor II Consideration”	the consideration of RMB1,812,000 (equivalent to approximately HK\$2,159,000) for the 10% equity interest of the Target Company as at the date of the Share Transfer Agreement paid by the Purchasers to the Vendor II pursuant to the Share Transfer Agreement
“%”	per cent.

* For identification purpose only

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

Shenyang, the PRC, 19 April 2021

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

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.1916 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.