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上海大眾公用事業(集團)股份有限公司

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

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

**(Stock Code: 1635)**

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
CONNECTED TRANSACTION AND CONTINUING  
CONNECTED TRANSACTIONS  
TITLE TRANSFER AND LEASEBACK OF ASSETS**

Reference is made to the announcement (the “**Announcement**”) of Shanghai Dazhong Public Utilities (Group) Co., Ltd.\* (the “**Company**”) dated April 29, 2024 in relation to the connected transaction and continuing connected transactions of Title Transfer Agreement and Leaseback of Assets. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide to the shareholders and potential investors of the Company additional information on (1) further details of the Valuation Report; and (2) the identities of the ultimate beneficial owners of Shanghai Dazhong Business Management Employee Share Ownership Committee\* (上海大眾企業管理有限公司職工持股會).

As disclosed in the Announcement, the Consideration for the Title Transfer was determined with reference to the Valuation Report prepared by Shanghai Zhonghua Assets Appraisal Company Limited\* (上海眾華資產評估有限公司) (“**Valuer**”) using cost approach and income approach in respect of (i) the 564 taxis and the ancillary operating licenses, the equipment and the ancillary works, which are all in normal use, with the original book value of the taxis which are operating outside and the ancillary operating licenses accompanying them amounting to approximately RMB56,588,544.14, and the net book value of approximately RMB41,007,157.60 and the net appraised value of approximately RMB134,042,700, and (ii) the original book value of the equipment and ancillary works was approximately RMB85,562,400, the net book value was approximately RMB46,907,400, and the net appraised value was approximately RMB51,753,700 (the “**Valuation**”).

The Company wishes to provide to the shareholders and potential investors of the Company additional information on the Valuation.

## FURTHER DETAILS OF THE VALUATION REPORT

### Valuation approach

When choosing the valuation approaches, two commonly accepted approaches were considered: the cost approach and the income approach. The cost approach represents the collective term for various evaluation techniques that determine the value of the appraised assets by estimating the replacement cost of the appraised assets first and then deducting the forecasted depreciation items existing in the appraised assets from the replacement cost. The income approach represents the collective term for various valuation techniques that determine the value of assets by estimating the present value of prospective earnings of the assets. The three premises in using the income approach to evaluate asset value are that: (1) the prospective earnings of the asset can be predicted and measured in currency; (2) the risks borne by the owner in obtaining the prospective earnings can also be predicted and measured in currency; and (3) the number of years with prospective earnings of the assets can be predicted. The reason for adopting these approaches is that the vehicles, equipment, and ancillary works involved in this case are relatively easy to obtain the replacement cost on the market, and various depreciation factors are also easier to estimate. Therefore, the cost approach is adopted for valuation. As the taxi industry is mature and stable, and the prospective earnings and risks of operating licenses can be predicted, the income approach is chosen for valuation.

#### 1. Vehicles

Based on the principle of asset substitution, the replacement cost approach is used for valuation. The calculation formula is: appraised value = full replacement cost x comprehensive newness rate = RMB141,929.2 x 10% x 1 = RMB14,192.92. The appraised value of vehicles is RMB42,787,464.60.

The full replacement cost is determined as: the full replacement cost of domestic machinery and equipment = equipment purchase price (excluding tax) + transportation and miscellaneous expenses + installation expenses + basic expenses + preliminary and other expenses + capital cost. The purchase price of equipment is generally determined through market inquiries, quotation manuals, or reference to the quotations of recent purchase of equipment from various manufacturers. Hereby, the purchase price of vehicles is RMB145,800. For equipment whose price is not available, the replacement cost will be determined by correcting the price of similar equipment using the comparison approach. Preliminary and other expenses generally include indirect costs such as design expenses, supervision expenses, commissioning expenses, management expenses, etc., and are generally calculated as a certain proportion of the equipment purchase price. Capital cost represents the cost incurred due to fund appropriation. For equipment with a long construction cycle and high value, the capital cost is calculated based on the construction cycle and payment method. For equipment with a short construction cycle and low value, the capital cost is generally not calculated. The appraised company is a general taxpayer of value-added tax, and the value-added tax

paid is deductible. Therefore, the purchase price of the assessed equipment is value-added tax exclusive, (i.e. excluding value-added tax). Therefore, the full replacement price = purchase price of vehicles (145,800) + vehicle purchase tax  $[145,800/(1+13\%) \times 10\% = 12,902.65]$  — deductible value-added tax  $[145,800/(1+13\%) \times 13\% = 16,773.45]$  = RMB141,929.20.

The comprehensive newness rate of equipment is determined as follows: the comprehensive newness rate generally adopts the newness rate under the service life approach and the newness rate under the technical observation approach, and the newness rates calculated under the service life approach and the technical observation approach are weighted differently to determine the comprehensive newness rate of equipment finally and reasonably. Comprehensive newness rate = newness rate under the service life approach x weighted coefficient + newness rate under the technical observation approach x weighted coefficient. Newness rate under the service life approach = (economic service life — years of use)/economic service life x 100%; or newness rate under the service life approach = remaining service life/(remaining service life + years of use) x 100%. Hereby, comprehensive newness rate is  $(6 - 5.4)/6 \times 100\% = 10.00\%$ . For transport vehicles, pursuant to the mandatory scrapping standards for vehicles promulgated by the state, the newness rate is determined based on the principle of the lower of vehicle mileage and service life. As the vehicles are all operated outside and their operating certificates are also outside with the respective vehicles, the mileage and supporting operating licenses of all vehicles are unavailable. Therefore, the newness rate of vehicles is assessed based on their service life.

## **2. *Operating licenses***

The income approach uses an appropriate capitalization rate to discount the expected normal net income of the appraised for each year in the future to the present value at the time of appraisal, and obtains the value of the appraised by its sum.

Appraisal formula:

$$V = \sum_{i=1}^n \frac{A_i}{(1 + R)^i}$$

- in which V — Assessed value (RMB/license)
- A<sub>i</sub> — Net income in the *i*th year in the future (RMB/license)
- R — Discount rate (%)
- n — Number of years with prospective earnings (year)

The valuation shall include the operating license of taxi operation into the scope of the valuation and use the income approach for valuation. As the object's income is of unlimited years, the calculation formula is as follows:

V (assessed value) = a (net income)/r (discount rate) = 2.26/13.94% = RMB161,800/license (rounded to the nearest hundred); assessed value of intangible asset operating certificates = 161,800.00 x 564 = RMB91,255,200.00.

The calculation of net income represents that, after analysis, the income related to the taxi operating license value is the operating income paid by taxi drivers to the taxi company, and the cost related to the taxi operating license value is the vehicle insurance premium paid by the taxi company, tax, drivers' social insurance and vehicle discounts, company administrative fees, etc. Net income = income — expenses. Currently, the actual monthly operating income paid by a taxi driver in the city is RMB8,000/month. Therefore, annual income = 8,000 × 12 = RMB96,000/vehicle. Other expenses (“**Other Expenses**”) include administrative expenses: based on the survey on the industry in 2023, 4% of annual income = 96,000 × 4% = RMB3,800/vehicle. Vehicle depreciation expenses: according to the current industry practice, the period for a vehicle to be retired from operation is 6 years. According to the current market conditions, the purchase cost of a vehicle amounts to approximately RMB100,000. The calculated depreciation expenses of vehicle = 100,000/6 = RMB16,700/vehicle. Insurance premium, taxes and social security fees totaled RMB49,800/vehicle. Other expenses include taxi operation dispatch expenses, material expenses, etc., which are estimated this time at RMB4,000/vehicle. The net income represents the annual income minus the other expenses mentioned above (i.e. 96,000–73,400 = RMB22,600/vehicle).

The discount rate is determined by using the build-up approach to estimate the discount rate applicable to the taxi operating license based on the characteristics of the taxi operating license evaluation and the data collection. The build-up approach is an approach that quantifies the risk-free return rate and the risk premium rate and calculates the discount rate by accumulation. Discount rate  $r = \text{risk-free return rate} + \text{project-specific risk premium rate} = 2.94\% + 11\% = 13.94\%$ . The risk-free return rate refers to the profit level under normal conditions and is the return on investment that all investments should receive. The risk premium rate refers to the return on investment that investors receive from assuming investment risks in excess of the risk-free return rate. It is determined based on the size of the risk and increases with the increase in investment risk. According to the characteristics of the taxi operation license, the risk premium rate is obtained through the analysis of the operating risks and market risk classification of the operation license and through empirical judgment by the valuer. Step 1: determination of the risk-free return rate  $R_f$ . Treasury bond yields are generally considered risk-free as the risk of holding the bond and not being able to pay it when it falls due is insignificant and thus can be ignored. The risk-free return rate  $R_f$  reflects the basic value of funds when there is no default risk on the principal and the expected income is guaranteed. For this valuation, the yield to maturity of government bonds with a maturity date more than 10 years from the assessment base date is 2.94% as the risk-free rate of return. Step 2: analysis and determination of project-specific risk premium rate. In 2023, the taxi (cruising taxi) industry continued to adjust. Rigid costs such as vehicle insurance and human resources in the taxi business continued to rise. According to the statistics from the Ministry of Transport on passenger traffic in national central cities in November 2023, the number of passengers in cruising taxis in the Shanghai area amounted to 204.69 million since the beginning of the year, and the number of passengers in November amounted to 18.98 million, representing a year-on-year growth of 24%. Based on the above, the operating risk is estimated to be 6%. Taxis are an integral part of the city's comprehensive transportation system and a supplement to urban public transportation, providing personalized transport services to the public. In 2023, the accumulative passenger volume in China reached 9,304.41 million, representing an accumulative increase of 66.5% as compared with the previous year. This growth rate reflects the strong recovery momentum of the passenger transport industry. At present, services such as private cars are able to meet the high-quality, diversified, and differentiated travel needs of citizens, and have had a significant impact on the traditional taxi industry. Therefore, the market risk is estimated to be 5%. Based on the analysis above, the valuer determined the specific risk premium rate of the taxi operation license to be 10% based on relevant data and information.

### 3. *Equipment and ancillary works*

The replacement cost approach is adopted for the valuation, and the replacement value is determined based on all the expenses required to re-establish the completed work volume of the equipment and auxiliary works on the valuation benchmark date under normal circumstances. In the event that significantly serious physical, functional, and economic depreciation occurs, the depreciation amount shall be determined and deducted from the replacement value. If the equipment and construction are under construction for a short period of time, the depreciation factor will not be considered.

Equipment and auxiliary works include supporting facilities such as motor vehicle inspection lines and maintenance lines. As of the benchmark date, the original book value was RMB85,562,366.36, and the net book value was RMB46,907,385.90.

Appraised value = full replacement cost x comprehensive newness rates. Full replacement cost = equipment purchase price + transportation and miscellaneous expenses + installation expenses + basic expenses + other expenses + capital costs. The comprehensive newness rate generally adopts the newness rate under the service life approach and the newness rate under the technical observation approach, and the newness rates calculated under the service life approach and the technical observation approach are weighted differently to determine the comprehensive newness rate of equipment finally and reasonably. Comprehensive newness rate = newness rate under the service life approach x weighted coefficient + newness rate under the technical observation approach x weighted coefficient. Newness rate under the service life approach = (economic service life — years of use)/economic service life x 100%; or newness rate under the service life approach = remaining service life/(remaining service life + years of use) x 100%.

As the equipment and ancillary works were completed and accepted in December 2018, calculated based on the industrial producer price index of 1.07 in December 2018, the replacement cost is  $7,122,928.38 \times 1.07 = \text{RMB}7,621,533.37$ . With reference to the “Manual of Common Data and Parameters Used in Asset Valuation”, the economic useful life of this equipment is generally 10 years. As the equipment has been used for 5 years from the date of purchase to the valuation benchmark date, the newness rate under the service life approach = (economic useful life — years of use)/economic life x 100% =  $(10-5)/10 \times 100\% = 50\%$ . Newness rate under the technical observation approach: according to on-site observation, the facility in good condition will have 60 points.

That is, comprehensive newness rate =  $40\% \times 50\% + 60\% \times 60\% = 56\%$ . Therefore, the assessed value = replacement cost x newness rate x quantity =  $7,621,533.37 \times 56\% \times 1 = \text{RMB}4,268,058.69$ , and the appraised value of the equipment and ancillary works is  $\text{RMB}51,753,774.77$ .

## **Assumptions in valuation**

The valuation benchmark date of the Valuation Report is December 31, 2023. The value type of the valuation is market value. The key assumptions used in the valuation are the usual assumptions for such valuations, including absence of significant change in the political, economic and social conditions of the state and region after the valuation benchmark date in the economic and social environment, absence of significant change in the relevant national macroeconomic policies, industrial policies and regional development policies after the valuation benchmark date, absence of significant change in the relevant interest rates, exchange rates, tax bases and tax rates, policy fees, etc. after the valuation benchmark date, absence of significant and adverse effects caused by force majeure after the valuation benchmark date, the continuing usage of the assets according to their original purpose in the identical location, absence of other force majeure and unforeseeable factors that may result in significant and adverse effects on the enterprise, and the truthfulness and validity of the evidence provided by the property rights owner, such as the business license of the company, the taxi operating license, signed agreement, and financial information.

As for the valuation assumptions of the income approach, it is based on (1) national macro policies and industry policies remaining relatively stable and not having any significant impact on the expected income of the assessed unit; (2) bank deposit and loan interest rates, tax rates, exchange rates and market conditions changes not having any significant impact on the expected income of the appraised unit; (3) the changes in the socioeconomic environment of the appraised unit not having any significant impact on the expected income of the appraised unit; (4) the continuance of the appraised unit to operate and maintain the original assets and the original normal operating forms; (5) the absence of major adverse effects caused by other force majeure factors and unforeseen factors; (6) the continuance of the company to operate and use the original assets according to the original intention through a normal way of operation; and (7) certain personal behaviors of the operating managers being excluded from consideration when predicting the future of the company.

The issuing agency of the Valuation Report possess asset valuation qualifications (Shanghai Cai Qi Filing [2017] No. 7) and securities and futures business qualifications (Cai Qi [2009] No. 23), and is an independent third party. The Directors (including independent non-executive Directors) are of the view that the Title Transfer Agreement was entered into on normal commercial terms or better and in the ordinary course of business of the Group, and that the terms of the Title Transfer Agreement are fair and reasonable (especially based on the Valuation Report) and are in the interests of the Company and its shareholders as a whole.

**THE IDENTITIES OF THE ULTIMATE BENEFICIAL OWNERS OF SHANGHAI DAZHONG BUSINESS MANAGEMENT EMPLOYEE SHARE OWNERSHIP COMMITTEE\* (上海大眾企業管理有限公司職工持股會)**

As at the date of this announcement, Shanghai Dazhong Business Management Employee Share Ownership Committee\* (上海大眾企業管理有限公司職工持股會) is composed of individual members including the employees of Shanghai Dazhong Business Management Co., Ltd.\* (上海大眾企業管理有限公司), the employees of the Company, and the employees of Dazhong Transportation (Group) Co., Ltd.\* (大眾交通(集團)股份有限公司) (a joint stock company with limited liability incorporated in the PRC, whose A shares (stock code: 600611.SH) and B shares (stock code: 900903.SH) are listed on the Shanghai Stock Exchange). As of the date of this announcement, the largest beneficial owner of the Shanghai Dazhong Business Management Employee Share Ownership Committee\* (上海大眾企業管理有限公司職工持股會) is Mr. Yang Guoping, who holds 9.55% of the beneficial ownership interest in it. Except for the above disclosure, there are no other persons who directly or indirectly hold more than 5% of the beneficial ownership interest in the Shanghai Dazhong Business Management Employee Share Ownership Committee\* (上海大眾企業管理有限公司職工持股會).

The additional information as disclosed herein does not affect any other information contained in the Announcement.

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

Shanghai, China

May 20, 2024

*As at the date of this announcement, the executive Directors are Mr. YANG Guoping, Mr. LIANG Jiawei, and Mr. WANG Baoping; the non-executive Directors are Mr. JIN Yongsheng and Mr. SHI Pingyang; and the independent non-executive Directors are Mr. JIANG Guofang, Ms. LI Yingqi, Mr. LIU Feng and Mr. YANG Ping.*

\* For identification purposes only