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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
GUANGDONG XINMAO BIOTECHNOLOGY
COMPANY LIMITED***

THE DISPOSAL

On 15 January 2021 (after trading hours), the Vendor I, a wholly owned subsidiary of the Company has entered into the Share Transfer Agreement with the Purchaser and the Vendor II pursuant to which the Vendor I has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Loan for a total consideration of RMB9,990,000 (equivalent to approximately HK\$11,963,000). The Sale Shares represent 90% equity interest of the Target Company as at the date of the Share Transfer Agreement.

Upon 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.

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THE SHARE TRANSFER AGREEMENT

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

Date

15 January 2021

Parties

Purchaser: Guangdong Zhipuguangdian Advanced Materials Company Limited* (廣東至普光電新材料有限公司), a company with limited liability incorporated under the laws of the PRC

Vendor I: 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), a company with limited liability incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company

Vendor II: Mr. Cai Shenghuang* 蔡聲煌

As at the date of this announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser 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). 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 OF 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 December 2020, the amount of the Sale Loan is approximately RMB13,883,000 (equivalent to approximately HK\$16,625,000).

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 RMB2,980,000 (equivalent to approximately HK\$3,569,000) from the PRC government. 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 land use tax and the corresponding surcharges (if any) incurred and to be incurred by the Target Company shall be repaid by the Target Company after Completion, and will not be the responsibility of the Vendor I and the Vendor II; and
- (iii) save as the subsidies and the land use tax as mentioned above, any liabilities of the Target Company owed to the other third parties, litigations and unfulfilled contracts incurred before Completion shall be responsible by the Vendor II, and will not be the responsibility of the Vendor I and the Purchaser.

Consideration and payment terms

The total sum payable to the Vendor I and the Vendor II for the entire equity interest and the Sale Loan of the Target Company is RMB11,100,000 (equivalent to approximately HK\$13,292,000). Pursuant to the Share Transfer Agreement, the Purchaser will make the payment in the following manners:

- (i) a sum of RMB5,550,000 (equivalent to approximately HK\$6,646,000) which is 50% of the total sum of the entire equity interest and the Sale Loan of the Target Company shall be paid to the Vendor I and the Vendor II immediately upon the signing of the Share Transfer Agreement, of which RMB4,995,000 (equivalent to approximately HK\$5,982,000) shall be paid to the Vendor I and RMB555,000 (equivalent to approximately HK\$665,000) shall be paid to the Vendor II and the persons appointed by the Vendor II. The Vendor I and the Vendor II agree to transfer the original real estate registration certificate, business license with all planning permits, architectural drawings, water meter and ammeter data (including but not limited to the water and electricity payment card, installation contract, etc.) in connection with the plants construction, the original agreement signed between the Target Company and the governments of Zhongshan and Chaozhou, the existing buildings and the Shareholders' resolution (passed by the Vendor I and the Vendor II) of the Target Company to the Purchaser on the payment day; and

- (ii) the remaining balance of RMB5,550,000 (equivalent to approximately HK\$6,646,000) 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 having applied for the change of industrial and commercial registration before 31 January 2021, of which RMB4,995,000 (equivalent to approximately HK\$5,982,000) shall be paid to the Vendor I and RMB555,000 (equivalent to approximately HK\$665,000) shall be paid to the Vendor II and the person appointed by the Vendor II. The Vendor I and the Vendor II shall transfer the amended business license, company chop, official seal, financial seal and other relevant information to the Purchaser simultaneously.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor I on normal commercial terms with a slight discount 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 Consideration is fair and reasonable and on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

Completion

The Completion shall take place after the completion of transfer of all the official seal, company chop and financial seal.

INFORMATION ON THE TARGET COMPANY

Guangdong Xinmao Biotechnology Company Limited* (廣東鑫茂生物科技有限公司) is a company established under the laws of the PRC with limited liability. The principal activities of the Target Company are bioengineering technology research and sales of plant fat, plant extracts, plant superfine powder, solid beverages.

The Target Company currently is still in progress of construction of plants. The plants are located at the site No. JN06-08-2 of Jingnan Branch, Zhongshan (Chaozhou) Industrial Transfer Park* (中山(潮州)產業轉移工業園經南分園JN06-08-2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 2018 and 2019.

	For the year ended 31 December 2018 (Audited) RMB Approximately	For the year ended 31 December 2019 (Audited) RMB Approximately
Net (loss)/profit before tax	(251,000)	4,000
Net (loss)/profit after tax	(251,000)	4,000

The unaudited net liabilities of the Target Company as at 31 December 2020 was RMB4,034,000 (equivalent to approximately HK\$4,831,000).

INFORMATION ON THE PURCHASER

The Purchaser is a company established under the laws of the PRC with limited liability and its principal activities are research and sales of the optoelectronic integration products, light sensitive dry-film, electronic products and equipment, telecommunication products and fabricated metals, and import and export of goods and technology business. As at the date of the Share Transfer Agreement, the Purchaser is owned as to 60% by Mr. Zheng Shunyao* 鄭舜瑤 and 40% by Mr. Zhu Xuebin* 朱學彬 respectively.

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.

In view of the economic downturn and the outbreak of the COVID-19 pandemic in the PRC in 2020, the progress of the construction of plants was disrupted. After careful assessments, the Directors are of the view that the further development on the project of the Target Company is not the right timing. The Directors further consider that the Disposal will enhance the Group's focus on other business development. The Directors believe that the Disposal would provide a good opportunity for the Group to streamline the Group's structure and to enhance the financial position of the Group by an immediate cash inflow as well as to relocate its financial resources on other needs of the Company.

Taking into account the above, 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 of the date of this announcement, the Company owned 90% of the equity interest in the Target Company. Upon 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 loss of approximately RMB334,000 (equivalent to approximately HK\$400,000) which is calculated on the basis of the difference between the 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 loss to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

The net proceeds of the Disposal of approximately RMB9,919,000 (equivalent to approximately HK\$11,878,000) will be used by the Company (i) approximately RMB7,000,000 (equivalent to HK\$8,383,000) 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 RMB2,919,000 (equivalent to HK\$3,496,000) for the general working capital.

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.

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

“Consideration”	the consideration of RMB9,990,000 (equivalent to approximately HK\$11,963,000) for the Sale Shares and the Sale Loan paid by the Purchaser to the Vendor I pursuant to the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares and the Sale Loan by the Vendor I to the Purchaser 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 People’s Republic of China
“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”	Guangdong Zhipuguangdian Advanced Materials Company Limited* (廣東至普光電新材料有限公司), a company with limited liability incorporated under the laws of the PRC
“Sale Loan”	represents all amounts of outstanding shareholder’s loan owed by the Target Company to the Vendor I before Completion. As at 31 December 2020, the amount of the Sale Loan is approximately RMB13,883,000 (equivalent to approximately HK\$16,625,000)
“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 15 January 2021 entered into among the Purchaser, 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”	Guangdong Xinmao Biotechnology Company Limited* (廣東鑫茂生物科技有限公司), a company established under the laws of the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Vendor I”	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), a company with limited liability incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Vendor II”	Mr. Cai Shenghuang* 蔡聲煌, a shareholder of the Target Company who owns 10% equity interest as at the date of 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, 15 January 2021

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. Luo Zhuo 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\$1.1975 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.