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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)

**DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF INTEREST IN A FUND**

THE SUBSCRIPTION

The Board is pleased to announce that on 10 March 2017 (after trading hours), the Company entered into the Subscription Agreement as a Limited Partner with the General Partner, the Initial Limited Partners, the other Limited Partners and the Fund, pursuant to which the Company applied to subscribe for interests in the Fund with the committed capital contribution of RMB1 billion to the Fund in accordance with the Limited Partnership Agreement. On the same day, the Company entered into the Limited Partnership Agreement as a Limited Partner with the General Partner and the other Limited Partners, which sets out the terms of the Fund.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in relation to the Subscription are more than 5% but all applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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* *For identification purpose only*

SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

- Date: 10 March 2017
- Parties:
- (1) the General Partner;
 - (2) the Initial Limited Partners;
 - (3) LP1;
 - (4) LP2;
 - (5) LP3;
 - (6) the Company; and
 - (7) the Fund

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the General Partner, the Initial Limited Partners and the Limited Partners (other than the Company) and their respective ultimate beneficial owner(s) are Independent Third Parties.

As at the date of the Subscription Agreement, the Initial Limited Partners held a total of RMB100 million of Interest, which has not been paid up.

Pursuant to the Subscription Agreement, the General Partner will purchase RMB10 million of Interest held by the Initial Limited Partners at nil consideration, which constitutes approximately 0.60% of the total Interest in the Fund.

Pursuant to the Subscription Agreement, the Company applied to subscribe for the Interest with a committed capital contribution of RMB1 billion (the "**Subscription**") to the Fund in accordance with the Limited Partnership Agreement, which constitutes approximately 60.24% of the total Interest in the Fund. The Subscription includes (1) a transfer of a total of RMB90 million of Interest held by the Initial Limited Partners to the Company at nil consideration and (2) RMB910 million of Interest newly issued to the Company by the Fund. LP1, LP2 and LP3 applied to subscribe for the Interests with committed capital contributions of RMB250 million, RMB200 million and RMB200 million, respectively, to the Fund in accordance with the Limited Partnership Agreement, which constitutes approximately 15.06%, 12.05% and 12.05% of the total Interest in the Fund, respectively.

The Subscription price was determined after arm's length negotiations between the General Partner and the Company with reference to (i) the preliminary intended purpose of the Fund; (ii) the target partnership size of the Fund; and (iii) the expected duration of the Fund. The Subscription will be funded by internal resources of the Company or debt financing.

By entering into the Subscription Agreement, the Company acknowledged the Limited Partnership Agreement and applied to become a Limited Partner of the Fund pursuant to the terms of the Limited Partnership Agreement.

LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are as follows:

1. Parties

General Partner

The General Partner is a limited partnership established in the PRC and is the general partner of the Fund pursuant to the Limited Partnership Agreement. Its overall responsibility includes representing the Fund, managing and operating the Fund and engaging a manager to attend to the administration of the Fund.

Manager

The Manager is a limited liability company established in the PRC. It is a mixed ownership fund management company established by Zhejiang Zheyin Capital Management Company* (浙江浙銀資本管理有限公司) in the PRC. The Manager is principally engaged in the business of asset management and business management consulting. Its products and services include private equity investments, private placements of listed companies, merger and acquisition of listed companies, quantitative trading investments and local government industry consolidation funds. As of the year ended 31 December 2016, the Manager manages assets amounting to approximately RMB7 billion. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Manager and its respective ultimate beneficial owner(s) are Independent Third Parties.

The Manager has been engaged in the management of the Fund. The Manager will make all decisions on behalf of the Partnership with respect to the assets of the Fund.

Limited Partners

Each Limited Partner is obliged to make Contribution to the Fund with the amounts limited by its Contribution (in the case of the Company, the Subscription), and the liability of each Limited Partner is limited to the amount of its Contribution. The Limited Partners shall not have the right or power to participate in the management or any other affairs of the Fund, to represent the Fund in any of the business dealing of the Fund or to bind the Fund.

2. The Fund

The Fund is a limited partnership established in the PRC in November 2016 in accordance with the PRC Partnership Law.

3. Partnership Size

The Fund seeks to raise an aggregated commitment from all Limited Partners on the Closing Date of no more than RMB1.66 billion. However, the General Partner may accept an aggregated commitment of more or less than this amount.

4. Principal Purpose and Investment Policy

The primary purpose of the Fund is to take advantage of opportunities in the market to acquire listed companies or mature investments which have the potential and at a low valuation in order to attain a satisfactory financial return for the Partners.

The investment policy of the Fund focuses on strategic investments in equity and industrial merger and acquisition transactions, mezzanine investments, management buyouts, bridge financings, financial investments prior to backdoor listing, takeover bids and provision of cash options.

5. Term of the Fund

The term of the Fund commenced on 10 November 2016 and will expire on 9 November 2046.

6. Investment Period and Withdrawal Period

The investment period of the Fund (the “**Investment Period**”) will commence on the Closing Date and expire on the fifth anniversary of the Closing Date. Upon expiration of the investment period of the Fund, the Fund may not engage in any investment activities, including follow on investments over its existing investments, other than activities in relation to its business continuity. The withdrawal period of the Fund (the “**Withdrawal Period**”) will commence on the fifth anniversary of the Closing Date and expire two years thereafter.

Notwithstanding the above, the General Partner may, at least three months prior to the expiry of the Investment Period or the Withdrawal Period (as the case may be), with a resolution approved unanimously at a general meeting by all Limited Partners who are entitled to vote, revise the Investment Period or the Withdrawal Period (as the case may be).

7. Call on Payment of Contribution

Before the Manager makes an investment, the Manager shall issue a written notice to all Partners to call on payment of Contributions for an amount necessary for such investment.

When the available funds of the Fund are less than 10% of the total amount of Contributions, the Manager may issue a written notice and make a follow-up call on the payment of Contributions by the Limited Partners.

8. Transferability of the Interest

The Limited Partners may transfer their Interest to an Independent Third Party if such transfer is approved by a resolution passed by a majority of the Limited Partners in general meeting who are entitled to vote (excluding any interested Limited Partner(s)), and subject to a right of first refusal of other Limited Partners.

The Limited Partners may transfer their Interest to other Limited Partners if such transfer is approved by a resolution passed by a majority of the Limited Partners in general meeting who are entitled to vote (excluding any interested Limited Partner(s)).

9. Management Fee

During the Investment Period, the Fund shall pay an annual management fee to the Manager, calculated on a daily weighted average basis, an amount equal to 2% of the total paid-up Contributions of the Fund as of the end of the relevant year.

During the Withdrawal Period, the Fund shall pay an annual management fee to the Manager, calculated on a daily weighted average basis, an amount equal to 1.5% of the invested amount of the Fund as of the end of the relevant year.

10. Investment Decision-making Mechanism

The General Partner will form an investment committee (the “**Investment Committee**”), the members of which shall be appointed by the General Partner. The Investment Committee shall consist of seven members, and each of the Limited Partners has the right to nominate one member and each member shall have one vote.

The General Partner will form a major decision committee (the “**Major Decision Committee**”), the members of which shall be appointed by the General Partner. The Major Decision Committee shall consists of five members, and each of the Limited Partners has the right to nominate one member and each member shall have one vote.

The rules governing the operation of the Investment Committee and Major Decision Committee shall be formulated separately by the General Partner and subject to the approval of the Partners.

11. Investment Approval Authority

Any single investment amounting to equal or less than RMB200 million shall require the approval of the Investment Committee.

Any single investment amounting to more than RMB200 million and less than RMB500 million (including RMB500 million) shall require the approval of the Major Decision Committee.

Any single investment amounting to more than RMB500 million shall require the approval of all Partners.

12. Distribution

The General Partner will distribute any available profits in the following order of priority: (i) first, to the Partners until each Partner has received an amount equal to 100% of its paid-up Contribution, (ii) second, to the Partners until each Partner has received an expected return of 7% per annum on the paid-up Contribution of each, and, thereafter, (iii) third, any additional profits paid to the General Partner in an amount not exceeding 25% of the expected return paid to the Limited Partners, and (iv) lastly, as to the balance, 20% are paid to the General Partner, and 80% to the Limited Partners proportionate to their paid-up Contributions.

13. Exit

The Fund's modes of exit from its investment projects include but not limited to: initial public offering, sale of shares, sale of business, interest income and return of principal from investment in debt, share repurchase, share swap, liquidation and any other modes that the Investment Committee thinks fit.

14. Additional Subscriptions

After Subscription is closed, if the General Partner thinks fit, the General Partner may open the Fund for one or more additional rounds of Subscriptions to attract more Limited Partners or increase the Subscription amount of the existing Limited Partners then.

15. Withdrawal of Limited Partners

Save for circumstances provided in the Limited Partnership Agreement, a Limited Partner is not permitted to exit from the Partnership, but it may transfer its Interest. Before the end of the Withdrawal Period, the General Partner and the Manager shall complete exits from the projects invested by the Fund within the Withdrawal Period and distribute the proceeds among the Limited Partners pursuant to the Limited Partnership Agreement. The relevant Limited Partners shall automatically withdraw from the Fund upon the completion of such distribution.

16. Dissolution and Liquidation of the Fund

The Fund shall dissolve and be liquidated in the following circumstances:

- (a) The term of the Fund expires and all the Partners agree not to extend the term;
- (b) Any General Partner termination event (as defined in the Limited Partnership Agreement) occurs so that the Fund has no General Partner;
- (c) The General Partner withdraws from the Fund so that the Fund has no General Partner;
- (d) The Fund has no Limited Partner;
- (e) All Partners agree that the objective of the Fund as stipulated in the Limited Partnership Agreement can no longer be achieved;

- (f) The business licence of the Fund is revoked or the Fund is ordered to be closed down or cancelled; and
- (g) Any other circumstances under the PRC laws and regulations.

In an event of liquidation, the Fund will be liquidated pursuant to the PRC laws and regulations.

INFORMATION ON THE COMPANY

The principal business of the Company is the provision of public utility services in Shanghai. It also engages in strategic and financial investments in associated companies in public utility and other industries. The Company is the leading public utility service provider in Shanghai.

INFORMATION ON THE GENERAL PARTNER OF THE FUND

The General Partner is principally engaged in the business of private equity investment, investment management and financial advisory.

INFORMATION ON THE OTHER LIMITED PARTNERS OF THE FUND

LP1 is principally engaged in the business of investment management and investment.

LP2 is principally engaged in the business of investing in private equity, real estate and related industries and financial advisory.

LP3 is principally engaged in the business of private equity investment, asset management and investment consulting.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

With reference to the investment objective of the Fund and the extensive experience and skills of the Manager, the Board believes the Company will be able to capture investment opportunities and further diversify the Group's investment portfolio. The Subscription is also in alignment with the Company's expansion plan on carrying out financial investments by investing in high yield equity and debt products and enables the Company to maximise its long term return of investment.

With reference to (i) the terms of other private equity funds generally in the market (including the rates of management fee and distribution mechanism); and (ii) the agreement that the other Limited Partners shall be subject to the same terms under the Limited Partnership Agreement, the Directors (including independent non-executive Directors) consider that the terms of the Subscription Agreement and the Limited Partnership Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in relation to the Subscription are more than 5% but all applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meaning:

“Business Day(s)”	a day (other than Saturdays or Sundays) that is not a national holiday or a public holiday in the PRC
“Closing Date”	the date on which the General Partner and the Limited Partners are registered as the Partners of the Fund with the relevant authority in the PRC
“Company”	Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 1, 1992, whose A shares and H shares have been listed on the Shanghai Stock Exchange since 4 March 1993 (stock code: 600635.SH) and the Main Board of the Stock Exchange since 5 December 2016 (stock code: 1635)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contribution(s)”	with respect to any Limited Partner, the aggregate amount which it has committed to contribute to the Fund pursuant to the Limited Partnership Agreement by way of capital payment made in RMB by such Limited Partner
“Director(s)”	director(s) of the Company
“Fund” or “Partnership”	Shanghai Huacan Equity Investment Fund Partnership (上海華璨股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC in November 2016 in accordance with the PRC Partnership Law (《中華人民共和國合夥企業法》)
“General Partner”	Shanghai Hualin Equity Investment Management Center (Limited Partnership)* (上海華麟股權投資管理中心(有限合夥)), a limited partnership established in the PRC in November 2016
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	a third party independent of the Company and its subsidiaries and connected persons
“Manager”	Zhejiang Xietong Capital Management Company Limited* (浙銀協同資本管理有限公司), a limited liability company incorporated in the PRC and registered as a private equity fund manager under the China Securities Investment Fund Association with administrator registration code of P1029013
“Initial Limited Partners”	the initial limited partners of the Fund holding Interests in the aggregate amount of RMB100 million, who are four individuals
“Interest”	the limited partnership interest in the Fund
“Limited Partner(s)”	the limited partner(s) of the Fund, including the Company
“Limited Partnership Agreement”	the limited partnership agreement dated 10 March 2017 and entered into by and among the General Partner and the Limited Partners
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LP1”	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司), a limited liability company incorporated under PRC laws, a Limited Partner that has committed to make a Contribution of RMB250 million to, and subscribes for a proportionate Interest in, the Partnership pursuant to the Subscription Agreement
“LP2”	Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司), a limited liability company incorporated under PRC laws, a Limited Partner that has committed to make a Contribution of RMB200 million to, and subscribes for a proportionate Interest in, the Partnership pursuant to the Subscription Agreement
“LP3”	Dongfang Guoji Group Shanghai Investment Co., Ltd. (東方國際集團上海投資有限公司), a limited liability company incorporated under PRC laws, a Limited Partner that has committed to make a Contribution of RMB200 million to, and subscribes for a proportionate Interest in, the Partnership pursuant to the Subscription Agreement
“Partner(s)”	collectively, the General Partner and the Limited Partner(s), each a “Partner”

“PRC”	The People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“Share(s)”	H share(s) in the capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Interest by the Company pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 10 March 2017 entered into between the General Partner, the Initial Limited Partners, LP1, LP2, LP3, the Company and the Fund
“%”	per cent

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

Shanghai, the People’s Republic of China
13 March 2017

As of the date of this announcement, the Board of Directors comprises Mr. YANG Guoping, Mr. ZHONG Jinxing, Mr. LIANG Jiawei, Ms. YU Min, Mr. YANG Jicai and Mr. ZHUANG Jianhao as executive Directors; Mr. LI Songhua as non-executive Director; and Mr. CAI Jianmin, Mr. CHOW Siu Lui, Mr. YAN Xuehai and Mr. YAO Cho Fai Andrew as independent non-executive Directors.

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