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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)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF
51% EQUITY INTEREST IN GUANGZHOU ZHUDAO
PROPERTY MANAGEMENT COMPANY LIMITED**

THE ACQUISITION

The Board is pleased to announce that on 28 February 2025 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% equity interest in the Target Company, at the Consideration of RMB550,000.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of the Equity Transfer Agreement, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the (i) Equity Transfer Agreement and the transactions contemplated thereunder; (ii) financial information and other information of the Target Group; (iii) the unaudited pro forma financial information of the Group; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice convening the EGM, will be despatched to the Shareholders. As additional time is required to prepare the relevant information to be included in the circular, the circular will be despatched to the Shareholders in due course.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that on 28 February 2025 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% equity interest in the Target Company, at the Consideration of RMB550,000.

THE EQUITY TRANSFER AGREEMENT

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

Date

28 February 2025 (after trading hours)

Parties

Vendor : Beijing Jiuzhou Technology Company Limited* (北京九周科技有限公司)

Purchaser : Shenzhen Wanzi Hotel Apartment Management Company Limited* (深圳市萬紫酒店公寓管理有限公司)

(each a “**Party**” and collectively, the “**Parties**”)

As at the date of the Equity Transfer Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is a third party independent of and not connected with the Company and its connected persons (as defined in Chapter 14A of the Listing Rules).

Subject matter of the Acquisition

Pursuant to the Equity Transfer Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 51% equity interest in the Target Company.

Consideration

The Consideration is RMB550,000, which shall be payable in cash by the Purchaser to the Vendor in the following manner:

- (i) the first instalment, being 50% of the Consideration (the amount of RMB275,000), shall be payable by the Purchaser to the Vendor within 3 business days after the execution of the Equity Transfer Agreement; and
- (ii) the second instalment, being 50% of the Consideration (the amount of RMB275,000), shall be payable by the Purchaser to the Vendor within 5 business days from the date of the approval of the Acquisition by the Shareholders at the EGM.

The Consideration for acquiring 51% equity interest in the Target Company is RMB550,000, which was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms and with reference to the Comparables (as defined below). Referring to the unaudited consolidated financial statements of the Target Group as of 31 December 2024, the Target Group recorded a revenue of approximately RMB17.2 million and a profit after tax of approximately RMB1.7 million.

The Company has conducted the below detailed analysis comparing the Target Company's financial performance against 17 Hong Kong listed companies which principally engaged in residential property management in the PRC (the "**Comparables**").

Comparables in Property Management Industry

	Stock Code	Company name	P/E ratio
1	606	SCE Intelligent Commercial Management Holdings Limited	1.78
2	1538	Zhong Ao Home Group Limited	2.83
3	1755	S-Enjoy Service Group Co., Limited	5.15
4	1895	Xinyuan Property Management Service (Cayman) Ltd.	8.33
5	1995	Ever Sunshine Services Group Limited	6.78
6	2107	First Service Holding Limited	4.69
7	2146	Roiserv Lifestyle Services Co., Ltd.	4.29
8	2165	Ling Yue Services Group Limited	3.46
9	2205	Kangqiao Service Group Limited	17.06
10	2210	Beijing Capital Jiaye Property Services Co., Limited	4.46
11	2215	Dexin Services Group Limited	23.36
12	2271	Zhong An Intelligent Living Service Limited	4.76
13	2602	Onewo Inc.	12.46
14	2869	Greentown Service Group Co. Ltd.	15.73
15	3658	New Hope Service Holdings Limited	6.84
16	6093	Hevol Services Group Co. Limited	11.36
17	9608	Sundy Service Group Co. Ltd	67.51

P/E ratio data source: Bloomberg (As at 18 February 2025)

Among the Hong Kong listed companies in property management industry with valid pricing-to-earnings (“P/E”) ratios, the criteria for selecting the Comparables include provision of property management services in the PRC accounting for at least 60% of the total revenue, with residential property management services accounting for also at least 60% of the revenue from property management services or the total area under management.

According to the above table, the Comparables’ P/E ratios range from approximately 1.78 to 67.51, with an average of 11.81. The Consideration, being the price of the Acquisition, is RMB550,000, which is applied for acquiring 51% equity interest in the Target Company. It represents a price of RMB1,078,431 for the Target Company on a 100% basis. Based on the price of RMB1,078,431 and the net profit of the Target Group of approximately RMB1.7 million, the P/E ratio of the Target Group would be approximately 0.64 which is significantly lower than the P/E ratios of the applicable Comparables.

Referring to the unaudited consolidated financial statements of the Target Group as at 31 December 2024, the net liabilities was approximately RMB17.5 million. Given the stable cash inflow of the Target Group from property management operations of its unaudited annual revenue of approximately RMB17.2 million and a profit after tax of approximately RMB1.7 million for the year ended 31 December 2024, in addition to the potential growth of business by taking part in additional property management projects in the future, it is believed that the financial position of the Target Group will be improved in the future.

In view of the above, the Consideration aligns with market norms and in addition to the factors as set out in the paragraph headed “**REASONS FOR AND BENEFITS OF THE ACQUISITION**”, 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 (including the Consideration) are on normal commercial terms, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion shall take place upon the fulfilment of the following conditions precedent:

- (i) the Equity Transfer Agreement and the equity transfer thereunder having been approved by the shareholder of the Purchaser, the Board and the EGM;
- (ii) the Equity Transfer Agreement and the equity transfer thereunder having been approved by the shareholders’ meeting of the Vendor;
- (iii) the change of registration procedures of the equity transfer under the Equity Transfer Agreement having been completed at the company registration authority and the Sale Shares having been registered in the Purchaser’s name, and the articles of association of the Target Company having been amended and filed as agreed;
- (iv) the Consideration as set out in the Equity Transfer Agreement having been paid off by the Purchaser; and
- (v) the representations and warranties made by the Parties as set out in the Equity Transfer Agreement being true, accurate and complete.

If the above conditions precedent have not been fulfilled within 6 months after the execution of the Equity Transfer Agreement or within a period determined by the Parties through further negotiations, the Equity Transfer Agreement shall be terminated. Upon the termination of the Equity Transfer Agreement, if the Purchaser has paid the Consideration to the Vendor, the Vendor shall refund the Consideration being paid by the Purchaser under the Equity Transfer Agreement with the interest calculated based on the bank deposit interest rate for the same period within 10 days. If the change of registration in relation to the Sale Shares has been completed, the Purchaser shall, upon receipt of the Consideration refunded by the Vendor, assist the Target Company and the Vendor to restore the registration of the Sale Shares to the status at the time of signing the Equity Transfer Agreement.

Transition period

The period commencing from the date of signing of the Equity Transfer Agreement to the date of Completion (both days exclusive) shall be a transition period, during which the Vendor shall have the obligation of good management of the Target Company and its assets. The Vendor shall ensure and procure the normal operation of the Target Company, and the Vendor shall promptly notify the Purchaser of any material adverse impact on the Target Company during the transitional period and deal with it appropriately. During the transition period, the Vendor shall not sign, change, modify or terminate any contracts and transactions relating to the Target Company, or engage in any act that causes the Target Company to assume new burdens or debts, transfer or waive rights, or dispose of the assets of the Target Company, except for those that are part of the normal operation of the Target Company.

Completion

The Parties shall procure the fulfilment of the above conditions precedent for the Completion within 6 months from the effective date of the Equity Transfer Agreement, and any extension of time shall be negotiated by the Parties. Upon the Completion, the Target Company will be owned as to 51% equity interest by the Purchaser, 14% equity interest by the Vendor and 35% equity interest by Beijing Wanzhongrunhua. Upon the Completion, the Target Company and its non wholly-owned subsidiary, Shijiazhuang Runhua, will both become subsidiaries of the Company and accordingly, the financial results of the Target Group will be consolidated into the Group's consolidated financial statements.

The Parties unanimously agreed that, upon the Completion, when the shareholders' meeting of the Target Company re-elects the directors or appoints the general manager, the Parties unconditionally agree that the candidates appointed by the Purchaser will serve as the directors and general manager.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a company established under the laws of the PRC with limited liabilities and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the investment holding.

The Company was incorporated in the PRC with limited liability and the H Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in construction of infrastructure and development of properties, and property investment and leasing business.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

Information on the Vendor

The Vendor is a company incorporated in the PRC with limited liability and belongs to the technology promotion and application services industry, with its scope of business including technology development, software services, design and branding, business consulting, advertising, market research, event planning, and scientific research across various fields, all in compliance with relevant regulations.

As at the date of the Equity Transfer Agreement, the Vendor is wholly-owned by Mr. Jia Yancheng* (賈燕成先生).

Information on the Target Group

The Target Group comprises the Target Company and its non wholly-owned subsidiary, Shijiazhuang Runhua. The Target Company is a company incorporated in the PRC with limited liability, which holds 51% equity interest in Shijiazhuang Runhua.

Each of the Target Company and Shijiazhuang Runhua is principally engaged in property management services. The Target Company is currently engaged in providing property management services to Zhudao Garden* (珠島花園) in Guangzhou, the PRC. Shijiazhuang Runhua is currently serving a high-end villa district, namely Xishan Yuyuan* (西山禦園) in Shijiazhuang, the PRC.

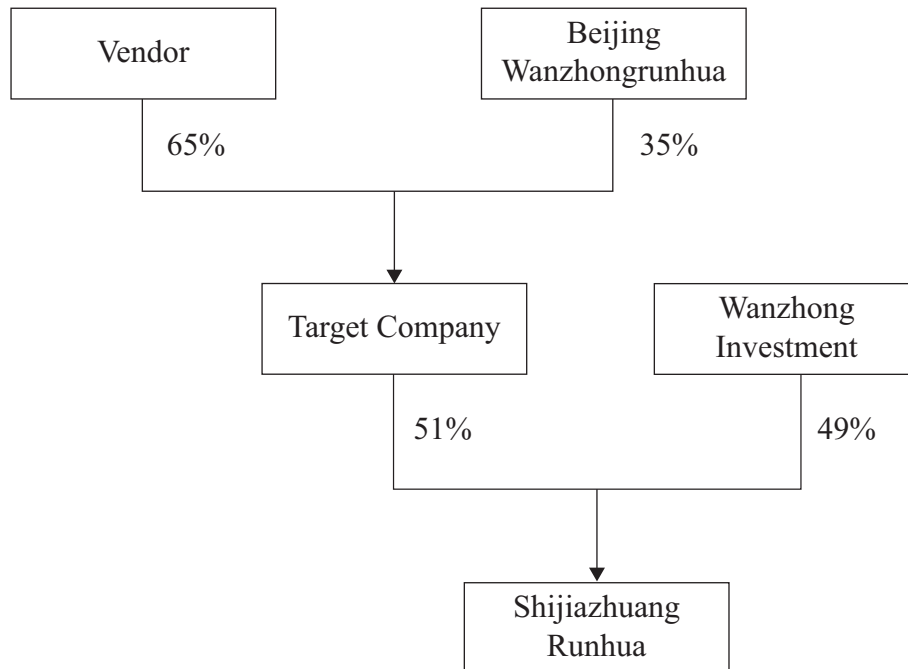
As at the date of the Equity Transfer Agreement, the Target Company is owned as to 65% equity interest by the Vendor and 35% equity interest by Beijing Wanzhongrunhua.

Beijing Wanzhongrunhua is a company incorporated in the PRC with limited liability and belongs to the professional and technical services industry, with its scope of business including engineering consulting services, general construction contracting, engineering cost consulting, engineering supervision services, labour subcontracting and engineering design.

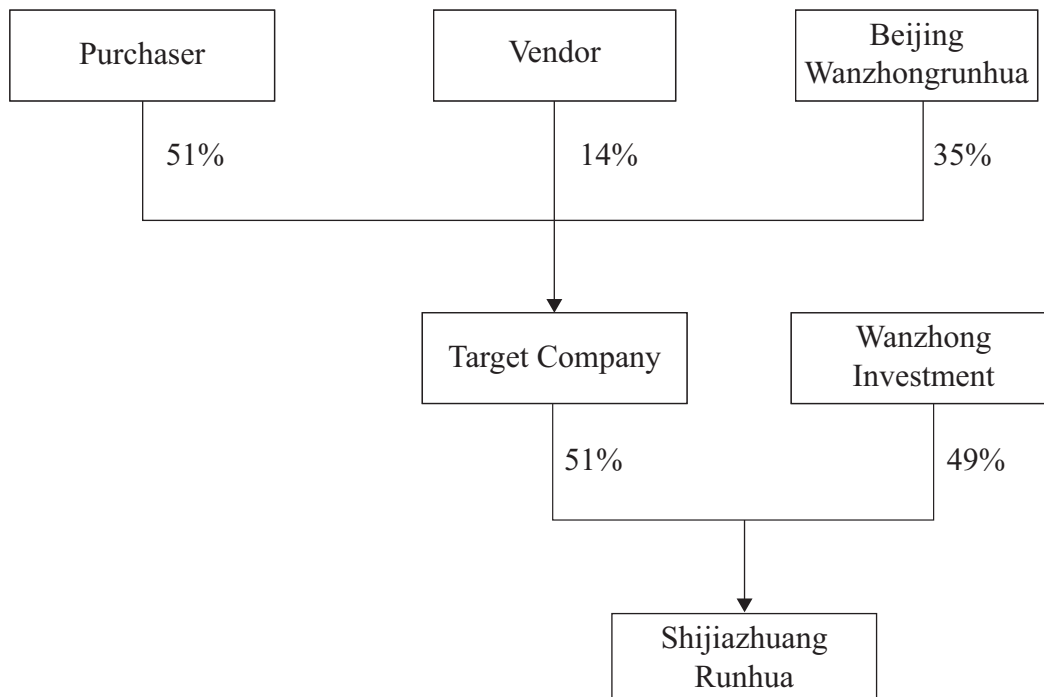
As at the date of the Equity Transfer Agreement, Beijing Wanzhongrunhua is wholly-owned by Mr. Hu Liming* (胡利明先生).

Upon the Completion, the Target Company will be owned as to 51% equity interest by the Purchaser, 14% equity interest by the Vendor and 35% equity interest by Beijing Wanzhongrunhua. The Target Company will become a non wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the Group's consolidated financial statements.

Set out below is the shareholding structure of the Target Group as at the date of the Equity Transfer Agreement and prior to the Completion:



Set out below is the shareholding structure of the Target Group immediately after the Completion:



Financial Information of the Target Group

Set out below summaries the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2023 and 2024:

	For the year ended 31 December	
	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	17,125	17,203
Net profit before taxation and extraordinary items	292	1,778
Net profit after taxation and extraordinary items	254	1,684

The unaudited net liabilities of the Target Group as at 31 December 2024 was approximately RMB17,502,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in construction of infrastructure and development of properties, and property investment and leasing business.

The Company is from time to time looking for appropriate opportunities in the construction of infrastructure business in the PRC. However, given the slow recovery of the domestic economy, it is anticipated that the expenditure of infrastructure from the government will remain limited. The Company will continue to explore suitable infrastructure projects aligned with national policies.

As disclosed in the annual report of the Company for the year ended 31 December 2023, for the year ended 31 December 2023, the Group won the bidding of the rental right of a 3,000-square-metre vacant land in the Shenyun Cultural and Sports Park* (深雲文體公園) in Shenzhen for operating an entertainment project in the cultural and sports park. The venue has completed the renovation and begun its operation in January 2025.

The Shennongjia Hotel, a property development project of the Company, is a large-scale integrated tourism resort and business leisure project built in the Shennongjia scenic area. It includes hotel, courtyard houses, an entertainment centre, and commercial facilities. The project consists of a main building, an annex building, ten courtyard houses, a sports club, and a commercial street. The total floor area of this project exceeds 50,000 square metres and comprising over 500 hotel rooms. As at the date of this announcement, the construction of the main building, the annex building and the courtyard houses have been basically completed. Initially, the hotel's design has been finalised, and renovation work has also started. The Company's hotel project team also considered managing and operating the hotel internally, led by its experienced senior management, while outsourcing the food and beverage (F&B) operations to experienced management company to enhance service quality and cost efficiency.

However, with reference to the market research conducted by the Company, after the pandemics, the previously suppressed domestic tourism market surged. According to the data from The People's Government of Hubei Province, in 2023, Shennongjia's key scenic spots experienced a 48% increase in the number of tourists and a 35% growth in tourism revenue. In 2024, it also recorded a growth of 10% in both of the figures. It is also observed that demand for high-quality accommodations and hospitality services has continued to grow. To enhance service quality and operational standards to cater for the needs of tourists while maximising the return of the hotel project, the Group's management is now considering engaging a professional hotel management company to oversee the hotel operations instead of managing it internally.

However, these high-quality hotel management companies typically impose specific operational requirements, including adherence to their established operational frameworks, design preferences, and service standards. The current key challenge to the Group is that these operators require an almost completely different renovation style, necessitating extensive modifications to the design of the hotel, which would inevitably cause time delays.

As at the date of this announcement, two hotel management companies have been shortlisted. The Company is evaluating how to balance these operational requirements with adequate financial resources and market positioning. Further cost assessments, budget planning, and market research are ongoing to determine the most viable strategy. While the hotel was initially scheduled to open in the second half of 2025, due to the aforementioned, the opening is expected to be postponed to 2026. The Company remains committed to ensuring that the final operational structure aligns with its long-term strategic objectives while maintaining service excellence and cost efficiency.

The Target Group is principally engaged in property management, managing approximately total 542,865 square metres gross floor area in first-tier and second-tier cities, ranging from large-scale community to high-end villa area.

The Group has been proactively exploring development opportunities in various formats within the property investment sector, such as the operation and management. With a proven track record in property development, construction, and commercial property management, the Group is well-positioned to leverage its expertise through the Acquisition. By integrating the Group's experience with the Target Company's specialisation in residential property management, the Group can offer a more comprehensive suite of services. This synergy will enhance the Group's ability to manage diverse property types effectively, providing a platform for geographic expansion and improved service offerings.

The Target Company has good reputation in property management, particularly in Guangzhou. It serves as a valuable foundation for the Group. Combining with its extensive resources and network, the Group is well-positioned to secure additional property management contracts in the future. This partnership will enhance the Group's presence in the property management market and solidify its competitive advantage.

Property management is a recurring revenue business. It offers predictable cash flows and reducing the Group's reliance on the cyclical nature of property development and construction. This business development is in line with the Group's long-term growth strategy and enhances its resilience in volatile market conditions. Additionally, the Target Company's operations in Guangzhou have the potential to generate supplementary revenue streams through value-added services, such as leasing support, facility upgrades, and concierge offerings. These services not only contribute to higher profitability but also foster stronger customer relationships, promoting long-term retention and growth.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of the Equity Transfer Agreement, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the (i) Equity Transfer Agreement and the transactions contemplated thereunder; (ii) financial information and other information of the Target Group; (iii) the unaudited pro forma financial information of the Group; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice convening the EGM, will be despatched to the Shareholders. As additional time is required to prepare the relevant information to be included in the circular, the circular will be despatched to the Shareholders in due course.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement
“Beijing Wanzhongrunhua”	Beijing Wanzhongrunhua Engineering Management Consulting Company Limited* (北京萬眾潤華工程管理諮詢有限公司), a limited company incorporated in the PRC, the ultimate beneficial owner of which is Mr. Hu Liming* (胡利明先生)
“Board”	the board of the Directors
“Company”	Shenyang Public Utility Holdings Company Limited, a joint stock limited company incorporated in the PRC and its H Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of the Acquisition, being RMB550,000
“Director(s)”	the directors of the Company
“Domestic Share(s)”	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are subscribed for in RMB
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 28 February 2025 entered into between the Purchaser and the Vendor in relation to 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) of the Company with a nominal value of RMB1.00 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”	Shenzhen Wanzi Hotel Apartment Management Company Limited* (深圳市萬紫酒店公寓管理有限公司), a limited company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	51% equity interest in the Target Company to be acquired by the Purchaser and to be sold by the Vendor according to the Equity Transfer Agreement
“Shareholder(s)”	holder(s) of the H Shares and the Domestic Shares
“Shijiazhuang Runhua”	Shijiazhuang Luquan District Runhua Property Service Company Limited* (石家莊市鹿泉區潤華物業服務有限公司), a limited company incorporated in the PRC and a non wholly-owned subsidiary of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Zhudao Property Management Company Limited* (廣州市珠島物業管理有限公司), a limited company incorporated in the PRC
“Target Group”	the Target Company and Shijiazhuang Runhua
“Vendor”	Beijing Jiuzhou Technology Company Limited* (北京九周科技有限公司), a limited company incorporated in the PRC, the ultimate beneficial owner of which is Mr. Jia Yancheng* (賈燕成先生)
“Wanzhong Investment”	Wanzhong Investment Company Limited* (萬眾投資有限公司), a limited company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* For identification purposes only

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

Shenyang, the PRC, 28 February 2025

As at the date of this announcement, the executive Directors are Mr. Zhang Jing Ming, Mr. Huang Chunfeng and Mr. Leng Xiao Rong; the non-executive Director is Mr. Chau Ting Yan; and the independent non-executive Directors are Mr. Luo Zhuo Qiang, Ms. Jiang Hai Ling and Mr. Mao Hai Bin.