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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)

PROPOSED CHANGE IN USE OF PROCEEDS

Reference are made to the prospectus of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (the “**Company**”) dated 23 November 2016 (the “**Prospectus**”), the announcement of the Company dated 2 December 2016 in relation to the offer price and allotment results announcement of the Global Offering, and the announcement dated 29 December 2016 in relation to the partial exercise of the Over-allotment Option. Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Prospectus.

USE OF PROCEEDS

On 5 December 2016, the Company completed its public offering of 478,940,000 H Shares (excluding over-allotment) (comprising 435,400,000 new H Shares offered by the Company and 43,540,000 H Shares sold by the Selling Shareholders). The issue price under the public offering was HK\$3.60 per H Share. The net proceeds (after deducting the underwriting fees and commissions, transaction levy and trading fee) received by the Company were approximately HK\$1,444.5 million. On 9 January 2017, the Company further completed its public offering of 54,703,000 additional H Shares (comprising 49,730,000 new H Shares issued and allotted by the Company and 4,973,000 H Shares sold by the Selling Shareholders)

* For identification purposes only

due to the partial exercise of the over-allotment options at the issue price of HK\$3.60 per H Share. Additional net proceeds (after deducting the underwriting fees and commissions, transaction levy and trading fee) of approximately HK\$175.0 million were received by the Company. Therefore, the total net proceeds received by the Company (after deducting the underwriting fees and commissions, transaction levy and trading fee) were approximately HK\$1,619.5 million (the “**Total Net Proceeds**”). As disclosed in the Prospectus, the Company intends to apply the net proceeds from the public offering for the following purposes (the “**Original Use of Proceeds Plan**”):

As at the date of this announcement, approximately HK\$62.3 million of the net proceeds has been utilized in accordance with the Original Use of Proceeds Plan and approximately HK\$1,557.2 million has not been utilized. For details, please refer to the table below:

| Items | Percentage of net proceeds to be utilized for such item | Net proceeds utilized as of the date of this announcement (HK\$ million) | Remaining net proceeds to be utilized for such item (HK\$ million) |
|---|--|---|---|
| (i) For investment in piped gas supply business, including the acquisition of equity interest in selected piped gas suppliers. | 35% | 62.3 | 504.5 |
| (ii) For the expansion of the Group’s wastewater treatment operations, including expansion and renovation of existing plants and potential acquisition of new plants or operations in connection with the PPP reform program. | 30% | – | 485.9 |
| (iii) For investment in other public utility businesses. | 25% | – | 404.9 |
| (iv) For funding the Group’s working capital and other general corporate purposes. | 10% | – | 161.9 |
| Total | 100% | 62.3 | 1,557.2 |

The unutilized net proceeds has been placed on the Company’s account for listing purpose.

PROPOSED CHANGE IN USE OF PROCEEDS

The Board proposed to combine item (i) and item (ii) above in one single item (the “Proposed Change in Use of Proceeds”). For details, please refer to the table below:

| Items | Percentage of net proceeds to be utilized for such item | Remaining net proceeds to be utilized for such item (HK\$ million) |
|---|---|--|
| (i) For investment in piped gas supply business, including the acquisition of equity interest in selected piped gas suppliers; and the expansion of the Group’s wastewater treatment operations, including expansion and renovation of existing plants and potential acquisition of new plants or operations in connection with the PPP reform program. | 65% | 990.4 ⁽¹⁾ |
| (ii) For investment in other public utility businesses. | 25% | 404.9 |
| (iii) For funding the Group’s working capital and other general corporate purposes. | 10% | 161.9 |
| Total | 100% | 1,557.2⁽²⁾ |

Notes:

- (1) The remaining net proceeds to be utilized for such item is calculated based on The Total Net Proceeds (i.e. HK\$1,619.5 million) being multiplied by 65% after deduction of the utilized net proceeds (i.e. HK\$62.3 million).
- (2) The remaining total net proceeds is calculated based on the Total Net Proceeds (i.e. HK\$1,619.5 million) after deduction of the utilized net proceeds (i.e. HK\$62.3 million).

REASONS FOR THE PROPOSED CHANGE IN USE OF PROCEEDS

We make investments in public utilities, including piped gas supply business, wastewater treatment operations and other public utility business. As the investment capital requirement for a single investment project is uncertain and the investment amount for a single project in piped gas supply business or wastewater treatment operations may exceed the limit allocated to such item pursuant to the Original Use of Proceeds Plan, the Board proposed to combine the item of piped gas supply business with the item of wastewater treatment operations.

The Proposed Change in Use of Proceeds will be beneficial for the Company to better utilize