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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)

PROPOSED CHANGE OF AUDITORS

The Board of the Company announces that Ho and Ho & Company (“Ho and Ho”) have resigned as auditor of the Company and its subsidiaries with effect from 25 August 2008 and Lo & Kwong C.P.A. Co. Ltd. (“Lo & Kwong”) was appointed as auditor of the Company and its subsidiaries on 1 September 2008 to fill the casual vacancy following the resignation of Ho and Ho as auditor of the Company, and to hold office until the conclusion of the next annual general meeting of the Company.

The reason for the resignation of Ho and Ho is due to the insufficiency of its internal resources to comply with the timetable to release the audited financial statements.

During the course of audit, Ho and Ho have identified the following issues which they consider should be brought to the attention of the shareholders or creditors of the Company:

1. The consolidated balance sheet of the Group as at 31 December 2005 includes other receivables with original amount of RMB 64,488,000. Its carrying amount was nil after allowance for bad debts has been recognised for the year ended 31 December 2005 of RMB64,488,000. Up to 25 August 2008, Ho and Ho has not been provided with the details of the recipient of these balances for conducting debtors' circularization and to determine the nature of these balances.
2. The consolidated balance sheet of the Group as at 31 December 2005, 2006 and 2007 includes the development cost for a property development project in Beijing in the amount of RMB136,295,000, RMB405,014,000 and RMB405,014,000 respectively. Ho and Ho found that the Group has not obtained the legal title of the land for the project. On physical inspection in the early of August 2008, Ho and Ho found that there was no substantial constructed structure on the land. Ho and Ho has not been

provided with sufficient evidence to ascertain whether such development can be recovered in full.

3. The consolidated balance sheet of the Group as at 31 December 2006 and 2007 includes the amount due from the parent company Shenyang Public Utility Group Company Limited 瀋陽公用集團有限公司 of RMB60,000,000. Ho and Ho has not been provided with sufficient evidence to ascertain whether such amount can be recovered in full.
4. Ho and Ho noted that the registered shareholders of a subsidiary, Beijing Diye Real Estate Development Company Limited (“Beijing Diye”), have been changed from the Group to a third party on 1 June 2007. Ho and Ho has not been provided with sufficient evidence to ascertain whether the terms and consideration of such transfer.
5. Ho and Ho noted that the shareholder of the Group, Beijing Beida Jade Bird Company Limited (“Beida Jade Bird”) and a third party 北京明裕德商貿有限公司 paid during the year ended 31 December 2007 the amount totalling of RMB153,811,000 and RMB32,160,000 respectively to 遼寧華錦化工(集團)有限責任公司 on behalf of the Group in settlement of the claim from 遼寧華錦化工(集團)有限責任公司.

In 2008, Beida Jade Bird filed a claim to the court demanding the Group for repayment and sequestrated certain of the Group’s asset. Up to 25 August 2008, such court case has not been settled. Ho and Ho has not been provided with sufficient evidence to ascertain the outcome of such claims and the terms of repayment and whether any interest should be accrued.

6. During the year ended 31 December 2007, the Group disposed 70% equity in Shenyang Development Beida Education Science Park Company Limited (“Shenyang Education”). In 2008, Beida Jade Bird sued the Group for repayment of the amount advanced by it as a result of the fulfillment of guarantee (as mention in (5) above). As a result, remaining equity interests held by the Group of 30% in Shenyang Education was then sequestrated. These interests were accounted for as available-for-sale financial assets in the consolidated balance sheet as at 31 December 2007. Ho and Ho has not been provided with sufficient information to ascertain whether the Group has any significant influence over the operating and financial policies of Shenyang Education; and whether these interests has been properly accounted for and disclosed according to the Hong Kong Financial Reporting Standards.

7. The consolidated balance sheet as at 31 December 2007 includes an other receivable in the amount of RMB120,000,000. Ho and Ho has not been provided with sufficient information to ascertain whether such amount can be recovered in full.

Save and except the above issues, the Board confirms that there are no other circumstances in respect of the change of auditor which should be brought to the attention of the shareholders of the Company.

In the course of discussion with Lo & Kwong, the Board was advised by Lo & Kwong that it will utilize its maximum resources to perform the audit.

It is expected that the change of auditors will not affect the release of audit results of the Company for the financial periods ended 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008.

By order of the Board of
Shenyang Public Utility Holdings Company Limited
Wang Hui
Director

Shenyang PRC, 3 September 2008

As at the date of this announcement, the directors of the Company are as follows:

Executive directors: Mr. An Mu Zong and Mr. Wang Zai Xing

Non executive directors: Mr. Deng Yan Bin, Mr. Lin Dong Hui and Mr. Wang Hui

Independent non executive director: Mr. Cai Lian Jun