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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)

**SUPPLEMENTAL ANNOUNCEMENT
TO ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

Reference is made to the results announcement (the “**Results Announcement**”) of Shenyang Public Utility Holdings Company Limited (the “**Company**”) dated 29 March 2018 and the annual report of the Company (the “**Annual Report**”) published on 30 April 2018. Terms used herein shall have the same meanings as those defined in the Results Announcement unless the context herein requires otherwise.

The purpose of this announcement is to provide you with information regarding the qualified opinion issued by the Company’s auditor regarding the consolidated financial statements of the Group for the year ended 31 December 2017 as well as the latest development of Zhongfang Chaozhou Jing Nan Industrial Park Project (the “**Project**”).

(I) UPDATES IN RELATION TO THE AUDIT QUALIFICATIONS

Basis for qualified opinion

Reference is made the paragraph headed “Basis for qualified opinion” set forth in the section headed “Extract of Independent Auditor’s Report” in the Results Announcement and the Independent Auditor’s Report contained in the Annual Report. Asian Alliance (HK) CPA Limited, the external auditor of the Company, has issued a qualified opinion (the “**Audit Qualifications**”) on the consolidated financial statements of the Group for the year ended 31 December 2017 with respect to the recoverability of certain trade receivables and property under development of the Group. Details of which are set out on pages 42 and 43 of the Annual Report.

Management’s view on the Audit Qualifications

The management of the Company (the “**Management**”) has been working closely with the Debtor in order to accelerate the progress of acceptance and transfer of the properties under development as well as the settlement of the trade receivables since the beginning of 2017. However, the results were not as good as expected and no acceptance and transfer of the properties under development was performed by the Debtor.

Despite this, the Management and Audit Committee did not aware of any evidence that the Debtor has disputed the amount of the trade receivables and the properties under development nor refused to repay the balance and to complete the procedure of acceptance and transfer.

Given the direct and close relationship between the Debtor and the Government, the Management is of the view that the trade receivables will be settled and the properties under development will be accepted though in longer time span. The Company will exert its best effort to negotiate with the Debtor and aiming at recover the outstanding trade receivables as soon as possible.

It is the intention of the Company to rectify the matters in relation to the Audit Qualifications in the year ending 31 December 2018 so that Company will consider viable means to ensure such Audit Qualifications will not be included independent auditor report in the Company’s future annual financial statements. The Management has communicated with the Company’s auditors and the Company’s auditors agreed that such Audit Qualifications will not be issued provided that the following conditions: have been satisfied (i) the Company could receive most of the trade receivables are recovered and at the same time a repayment schedule on the remaining receivables is agreed by the Debtor in 2018 and (ii) the acceptance and transfer of properties under development shall be completed and such revenue could be recognized in 2018.

(II) LATEST DEVELOPMENT OF ZHONGFANG CHAOZHOU JING NAN INDUSTRIAL PARK PROJECT

There are three construction phases in total for the Project. The construction work of the 4,500-mu construction land* of phase I has been basically completed. For phase II and phase III of the Project, the procedures of bidding has yet to be conducted by the Government, under such circumstance, the timetable for construction of the phase II and phase III of the Project cannot be determined.

As of 31 December 2017, the construction land of phase I in accumulated of 3,700-mu had been accepted and transferred to the Debtor while the acceptance and transfer of the remaining completed land is still in progress.

* *Actual Figure is subject to the measurement upon final acceptance*

At present, Mr. Huang Zhenkun (“**Mr Huang**”), an executive director of the company, is the responsible person of the Project. He is responsible for monitoring the progress of the settlement of receivables with the Debtor as well as the acceptance of the remaining completed land of the Project.

Mr. Huang communicates with the Debtor and the Administrative Committee of the Chaozhou Economic Development Zone regularly in each month, and he will pay his best effort to promote the Debtor and the Administrative Committee of the Chaozhou Economic Development Zone to obtain further approval from the Government for the settlement of trade receivables.

On 2 May 2018, Zhongfang Chaozhou has delivered a written notice to the Debtor to further request for accelerating the progress of acceptance and transfer of the remaining completed land and the settlement of the outstanding receivables. On 4 May 2018, a written reply was received from the Debtor stating that it is giving its best effort to execute the acceptance and transfer of the remaining completed land and it will speed up the progress of acceptance and transfer of the remaining completed land. In view of the current status, the Company is aiming to complete the acceptance and transfer of the remaining completed land by the year end of 2018. The Company will make further announcement(s) to update all potential investors and shareholders of any major developments, as and when appropriate.

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

Shenyang, the PRC, 30 May 2018

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Jing Ming, Mr. Deng Xiao Gang and Mr. Huang Zhen Kun, the non-executive directors are Mr. Yin Zong Chen and Ms. Li Yu Xiang and the independent non-executive directors are Mr. Chan Ming Sun Jonathan, Mr. He Qing Jia and Ms. Gao Hong Hong.