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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)

**ANNOUNCEMENT –
(1) LATEST DEVELOPMENT OF
ZHONGFANG CHAOZHOU JING NAN INDUSTRIAL PARK PROJECT;
AND
(2) FURTHER UPDATES ON THE QUALIFICATION**

Reference is made to the supplemental announcement of Shenyang Public Utility Holdings Company Limited (the “**Company**”) dated 30 May 2018 (the “**Supplemental Announcement**”) in relation to the qualified opinion issued by the Company’s auditor regarding the consolidated financial statements of the Group for the year ended 31 December 2017 (the “**Qualification**”) as well as the latest development of Zhongfang Chaozhou Jing Nan Industrial Park Project (the “**Project**”). Terms used herein shall have the same meanings as those defined in the Supplemental Announcement unless the context herein requires otherwise.

The purpose of this announcement is to provide you with further updates on latest development of the Project and the Qualification.

LATEST DEVELOPMENT OF ZHONGFANG CHAOZHOU JING NAN INDUSTRIAL PARK PROJECT

On 30 June 2018, Zhongfang Chaozhou, the Debtor and Zhuhai City Construction Supervision Company Limited* (珠海市城市建設監理有限公司) (the “**Project Supervisor**”) entered into the construction land repurchase agreement pursuant to which the Project Supervisor confirmed that the 300 mu construction land has met the standards for acceptance and transfer as set out in the cooperation agreement, and therefore it is agreed that the Debtor shall repurchase such 300 mu construction land at a tentative repurchase price of RMB240,000 per mu (the actual repurchase price will be determined upon the final completion and settlement of the Project). Based on the tentative repurchase price, the total repurchase amount for such 300 mu construction land would be approximately RMB72 million (tax included).

As at the date of this announcement, the acceptance and transfer of such 300 mu construction land has been completed.

In order to have better monitoring on the progress of acceptance and transfer of construction land, Zhongfang Chaozhou started to submit a monthly progress report to the Company from June 2018. According to the progress report for period ended 31 July 2018 (the “**Progress Report**”), the acceptance and transfer of the remaining 324 mu construction land will be conducted while the completion and acceptance (竣工驗收) of the entire project is carried out. The completion and acceptance of the entire project is expected to be completed by the end of October 2018.

Furthermore, according to the Progress Report, the completion and settlement (竣工結算) of the entire project is expected to commence in November 2018, the Company expected that the settlement of the entire project (including the remaining 324 mu construction land) will be completed by the end of 2019.

FURTHER UPDATES ON THE QUALIFICATION

After successive negotiations between Zhongfang Chaozhou and the Debtor, the Debtor eventually agreed to settle the outstanding trade receivables and make certain payments to settle the construction cost of the Project. On 29 June 2018, Zhongfang Chaozhou has received a total payment of RMB293,240,000 from Chaozhou Finance Bureau (潮州市財政局), paying on behalf of the Debtor. Such payment will fully settle the outstanding trade receivables of RMB128,701,000 as well as the repurchase amount for 300 mu construction land of approximately RMB72,000,000. The remaining balance of RMB92,539,000 will be considered as the prepayment for construction cost of the Project.

The Company have been advised by the Company’s auditor (the “**Auditor**”) that whether the Qualification could be removed from the consolidated financial statements for the year ending 31 December 2018 depends on the audit results on the below conditions (the “**Conditions**”), including but not limited to:

In assessing the valuation on the unaccepted construction land:

- (i) confirmation received from the Debtor relation to the acceptance and transfer of the remaining unaccepted construction land as at 31 December 2018;
- (ii) interview arrangement with the Debtor in respect of the future plan on the acceptance and transfer of the remaining unaccepted construction land as at 31 December 2018;
- (iii) net realizable value test to be performed on the impairment assessment of property under development by comparing the current purchase price by the Debtor with the unit cost of the remaining unaccepted construction land as stated in the accounting records of Zhongfang Chaozhou; and
- (iv) any documents/information which can support the value on the remaining unaccepted construction land as at 31 December 2018.

In assessing the valuation of the trade receivables as at 31 December 2018:

- (i) confirmation received from the Debtor on the balance of trade receivable as at 31 December 2018;
- (ii) confirmation from Chaozhou Finance Bureau 潮州市財政局 to confirm Zhongfang Chaozhou does not owe money to Chaozhou Finance Bureau 潮州市財政局 as at 31 December 2018 and clarify the nature of payment made by Chaozhou Finance Bureau 潮州市財政局 on 29 June 2018 of RMB293,240,000;
- (iii) interview arrangement with the Debtor and Chaozhou Finance Bureau 潮州市財政局 to clarify the nature of fund of RMB293,240,000 transferred from Chaozhou Finance Bureau 潮州市財政局 to Zhongfang Chaozhou on 29 June 2018;
- (iv) repayment schedule that was mutually agreed by the Debtor and Zhongfang Chaozhou in relation to the outstanding trade receivables as at 31 December 2018; and
- (v) any documents/information which can support the classification and valuation of trade receivables as at 31 December 2018.

The Company will liaise closely with the Auditor and will provide them with necessary information and assistance to obtain the audit evidences as mentioned above. However, the Auditor emphasis that the final decision is subject to any change in the circumstance and the audit evidence to be obtained when conducting the audit for the year ending 31 December 2018.

AUDIT COMMITTEE'S VIEW ON THE QUALIFICATION

The audit committee understands that the rationale of Auditor to issue the qualification was due to insufficient appropriate audit evidence were obtained in order to assess the recoverability of the trade receivables and net realisable value of properties under development or to determine the amount of impairment loss (if any) and thus the audit committee is in the opinion that the issuance of the Qualification by the Auditor is rational and reasonable.

On the other hand, the audit committee also noted from the managements of the Company that Zhongfang Chaozhou has been negotiating with the Debtor and has made certain arrangements since April 2018 in order to complete the acceptance and transfer of the remaining construction land and to recover the trade receivables as soon as possible.

Under such circumstance, the audit committee has requested the managements of the Company to provide relevant supporting documents on the arrangements for the acceptance and transfer of the remaining construction land and the settlement of trade receivables for their consideration. Having considered the actions taken by Zhongfang Chaozhou and the management of the Company, the audit committee concurs with the management's view on the recoverability of the trade receivables and net realizable value of the properties under development.

The Board and the audit committee are also aware that the removal of the Qualification is subject to the fulfillment of the Conditions, the Board and the audit committee will keep overseeing the progress of the Company in fulfilling such Conditions, and will make recommendations to the Company where further action is needed. Given the fact that the outstanding trade receivables has been fully settled and the acceptance and transfer of the remaining construction land has been partially completed, the audit committee concurs with the Company's view that the qualified opinion could be removed by the Auditor if the audit results on the Conditions are satisfactory.

The audit committee has discussed with the managements of the Company on the causes leading to the Qualification as well as certain remedial measures to prevent future incidents. The audit committee suggested that the Company shall delegate more directors and senior management to follow up and monitor the future projects regularly; and the Company shall seek professional advice from the professional parties such as legal advisor and financial advisors when similar cases occur in the future.

The Company will make further announcement(s) to update all potential investors and shareholders of any major changes to the above indicative timeline, as and when appropriate.

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

Shenyang, the PRC, 22 August 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. Leng Xiao Rong, the non-executive directors are Mr. Yin Zong Chen and Mr. Ye Zhi E and the independent non-executive directors are Mr. Chan Ming Sun Jonathan, Mr. Guo Lu Jin and Ms. Gao Hong Hong.