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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 DISPOSAL –
Proposed Disposal of 80% Equity Interest in Beijing Diye**

Financial adviser to the Company



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

THE PROPOSED DISPOSAL OF BEIJING DIYE

Pursuant to the resumption proposal for the application of resumption of the trading of the H shares of the Company, on 31 December 2008, the Company, Zhong Yi and Beijing Diye entered into the Disposal Agreement, pursuant to which, Zhong Yi has conditionally agreed to purchase and the Company has conditionally agreed to sell the Company's entire 80% equity interest in Beijing Diye at a cash consideration of RMB200 million. The Level 1 Development Qualification of Scenic Bay owned by Beijing Diye contributes the principal asset of Beijing Diye. Such consideration would also include the Group's receivable from Beijing Diye as at 31 December 2008.

Subsequently on 15 May 2009, the Company, Zhong Yi and Beijing Diye entered into a supplemental agreement for the purpose of extending the long stop date of the Disposal from 30 June 2009 to 31 December 2009.

GENERAL

The Disposal Agreement and the transactions contemplated thereunder constitute a very substantial disposal as defined under the Listing Rules and are subject to announcement and shareholders' approval requirements under the Listing Rules. None of the Shareholders has a material interest in the transaction and none of them shall abstain from voting at the EGM. The controlling shareholder of the Company, Beijing Mingde

Guangye, holding 58.8% of the issued share capital of the Company at the date of this announcement, undertakes to vote in favour of the resolution concerning the Disposal.

A circular containing, amongst other things, further information in respect of the Disposal together with the notice of EGM to be held for the Shareholders to approve the Disposal Agreement and the transactions contemplated thereunder will be despatched to the Shareholders in accordance with the Listing Rules as soon as possible.

THE DISPOSAL AGREEMENT

Date 31 December 2008 (as supplemented by an agreement dated 15 May 2009)

Parties

Vendor: The Company

Purchaser: Zhong Yi

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Zhong Yi and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

Asset to be disposed

Pursuant to the Disposal Agreement, Zhong Yi has conditionally agreed to purchase and the Company has conditionally agreed to sell (i) the 80% equity interest of Beijing Diye; and (ii) the Group's receivable from Beijing Diye in the amount of RMB461,184,000 as at 31 December 2008.

At the date of signing the Disposal Agreement, both parties confirmed that Scenic Bay would still be required to proceed with the formal registration procedures through tender, auction and offering. Upon Completion of the Disposal, Zhong Yi shall be responsible for all the registration matters, follow up, development, construction and marketing works of Scenic Bay, including the daily operations and management of Beijing Diye. In the event that Scenic Bay fails to launch its offering, following the full payment of consideration for the Disposal by Zhong Yi to the Company, Zhong Yi will be entitled to any compensation as stated in the government provisions. The Company is also given to understand from the relevant government provisions that the Company will not be liable for the said compensation.

Consideration

The consideration for the Disposal is RMB200 million which was determined after arm's length negotiations between the Company and Zhong Yi, and taking into account of the profit attributable to the operation of Scenic Bay and the Group's receivable from Beijing Diye.

Payment terms

The consideration of RMB200 million for the Disposal would be payable by Zhong Yi to the Company in the following manner:

- (i) as to RMB2 million in cash as refundable deposit within 10 days upon signing of the Disposal Agreement. As at the date of this announcement, the said refundable deposit has been fully paid;
- (ii) as to RMB25 million in cash within 5 Business Days upon the date on which the Due Diligence Review has been completed and the assets and liabilities of Beijing Diye have been confirmed by both parties to the Disposal Agreement, or the date on which the conditions precedent are fulfilled (whichever is later); and
- (iii) the remaining balance of RMB173 million shall be fully paid within 3 Business Days following the approval and issuance of new business licence by the administration for industry and commerce authority.

Conditions precedent

Completion of the Disposal is subject to the following conditions precedent:

- (i) the Shareholders having in general meeting to be held on or before the Long Stop Date approved the Disposal Agreement and all transactions contemplated thereunder in accordance with the requirements of memorandum and articles of association of the Company and the Listing Rules; and
- (ii) the Stock Exchange having granted or agreeing to grant the approval for resumption of trading of H shares of the Company, whether subject to conditions or not.

For the avoidance of doubt, the Company will not be in breach of any terms pursuant to the Disposal Agreement in the case of condition (i) above cannot be fulfilled. The Company also has the right to terminate the Disposal and refund the deposit paid by Zhong Yi in the case of condition (ii) above cannot be fulfilled.

Completion

Completion of the Disposal is subject to the fulfillment of all conditions mentioned above on or before the Long Stop Date. After completion of the Disposal, the Company will cease to have any interest in Beijing Diye and accordingly, Beijing Diye will cease to be a subsidiary of the Company.

Termination

The Disposal Agreement shall be terminated in the event of the following:

- (i) each party agrees unanimously to terminate the Disposal Agreement;

- (ii) the representations and warranties made by a party in the Disposal Agreement are inaccurate or in breach of the representations and warranties made, resulting in failure of the other party to fulfill its purpose of signing the Disposal Agreement. In such case, the other party has the right to terminate the Disposal Agreement;
- (iii) the Disposal Agreement and all transactions contemplated thereunder cannot be approved by the Shareholders at the general meeting; or
- (iv) both parties fail to perform the major obligations of the Agreement.

Upon termination of the Disposal Agreement, all rights and obligations of the parties shall cease and terminate save for claim (if any) in respect of any antecedent breach thereof.

GAIN OR LOSS ON THE DISPOSAL

It is estimated that there will be no gain and loss for the Disposal at a consideration of RMB200,000,000 and with reference to the net liabilities of Beijing Diye of approximately RMB261,184,000 as at 31 December 2008 and its amount due to the Group of approximately RMB461,184,000 as at 31 December 2008.

INTENDED USE OF PROCEEDS

The sale proceeds would be applied (i) for relevant acquisitions pursuant to the resumption proposal; and (ii) as working capital of the Company. Up to the date of this announcement, none of the refundable deposit of RMB2 million from the Disposal had been utilized.

INFORMATION ON BEIJING DIYE

Overview

Beijing Diye is a limited liability company incorporated at No.6 Guan Zhuang, Jianguo Road, Chaoyang District, Beijing, the PRC in July 2001. It is a real estate developer in Beijing with a registered capital of RMB30,000,000. As at the date of this announcement, Beijing Diye is owned as to 80% by the Company and as to 20% by Shenyang Education which the Company ceased to have any interest since August 2008.

It was disclosed in the annual report of the Company for the year ended 31 December 2008 that from June to November 2007, the Company, Shenyang Real Estate and Beijing Mingyude Business and Trade Company Limited (“**Mingyude**”) have entered into two Assumption and Equity Pledge Agreements and Extension of Credit and Equity Pledge Supplementary Agreement, pursuant to which the 80% equity interest in Beijing Diye held by Shenyang Real Estate was pledged as security, and Mingyude (now is a

shareholder of Beijing Mingde Guangye) was the guarantor and paid the claim of RMB12,870,000 from Shenyang Tianbei Construction Installation Work Company (“**Tianbei Construction**”) for Shenyang Real Estate for the dispute of a construction contract (details of the dispute have been stated in the announcement of the Company dated 15 October 2008) and paid the debt due to Hua Jin Hua Gong Group Company Limited (“**Hua Jin**”) which acted as the guarantor of RMB32,160,000 for the Company from the claim of Guangdong Development Bank.

On 31 July 2008, the Company and Shenyang Real Estate have entered into the Debt Repayment and Equity Pledge Release Agreement with Mingyude, pursuant to which the parties determined the schedule of repayment and equity pledge release. As at 31 August 2008, the Company and Shenyang Real Estate have fully repaid the amounts paid by Mingyude and interest thereof to Mingyude, and the 80% equity interest in Beijing Diye was recovered by the Company.

Financial Information

During the years ended 31 December 2007 and 2008, Beijing Diye recorded a loss (both before and after taxation and extraordinary items) of approximately RMB2,149,000 and RMB4,608,000 respectively and according to the annual report of the Company for the years ended 31 December 2007 and 2008, particulars of Beijing Diye’s assets and liabilities as at 31 December 2007 and 2008 are as follows:

	As at 31 December	
	2008	2007
	RMB’000	RMB’000
Assets		
Property and equipment	427	534
Properties for investment (<i>Note</i>)	-	407,148
Properties held for sale (<i>Note</i>)	193,941	-
Other receivables	-	10,486
Bank balances and cash	6,532	31
	<u>200,900</u>	<u>418,199</u>
Liabilities		
Trade payables	20	20
Other payables and accrual expenses	880	41,123
Amounts due to the Group’s companies	461,184	407,213
	<u>462,084</u>	<u>448,356</u>

Note: The management of the Company has made approximately RMB216,438,000 impairment provision on the properties held for sale for the year ended 31 December 2008.

Information on Scenic Bay

The Group acquired the residential project “Scenic Bay” (formerly name as “*Water-Flowers City*”) in Beijing through the acquisition of 100% indirect interest in Beijing Diye on 21 April 2003. The project site is a vacant land located at Districts C & D, Guang Zhuang Xin Cun, Chaoyang District, Beijing, the PRC, which occupies an area of approximately 129,000 square metres, and the planned gross floor area is approximately 195,000 square metres. During the year 2003, the project was under the preliminary planning phase and its phase one development was estimated to be roofed by August 2004.

In the years 2004 and 2005, the project of “Scenic Bay” in Beijing had not yet officially commenced construction, as affected by the policy adjustments regarding suspension of the application, approval and construction of all real estate development projects in Beijing, but had obtained approval for land requisition from relevant government authorities, and the subsequent work was under planning.

In the year 2006, the project of “Scenic Bay” in Beijing has obtained the certificate of land approval in addition to the approval for land requisition obtained in year 2005. However, it was required to sale by listing in the market due to the suspension of the “Green Belt” construction project policy of Beijing Municipal Government. Under the active negotiation of Beijing Diye, the Level 1 Development Qualification of “Scenic Bay” has been obtained.

In the year 2007, the project of “Scenic Bay” in Beijing did not make significant progress. Owing to the promulgation of Property Law, the resettlement problem of the land purposed for “Scenic Bay” cannot accomplish completely. As a result, the land failed to meet the requirements for sale. Beijing Diye was under negotiation with local authorities to seek a resolution.

In the year 2008, the construction of “Scenic Bay” in Beijing has not yet commenced but the Company was actively planning to realize the project for adjusting the business structure of the Group.

INFORMATION ON THE GROUP

Trading in the H shares of the Company has been suspended since 23 December 2004. Prior to the suspension, the Group was principally engaged in property development, educational investment and cemetery development in the PRC. The Group encountered financial distress in the last few years and has been downsizing the scale of operations since its suspension. Most of the Group’s assets were being sold through auctions as ordered by the courts in the PRC. As at the date of this announcement, the principal activity of the Group is the rental operation of a property in Zhuhai which is currently leased to Zhuhai Subsidiary Experimental School of Beijing University and Beijing Diye Real Estate Development Company Limited.

INFORMATION ON ZHONG YI

Zhong Yi is a limited liability company incorporated at Rm 2006, Qingyun Dangdai Mansion, District 9 Manting Fangyuan, Qingyun Lane, Haidian District, Beijing, the PRC on 8 January 2004. It is principally engaged in investment holding with a registered capital of RMB2,000,000. As at the date of this announcement, Zhong Yi is owned by three PRC individuals.

REASONS FOR ENTERING INTO THE DISPOSAL AGREEMENT

Pursuant to the resumption proposal for the purpose of resumption of trading in the H shares of the Company, the Disposal is expected to (i) enhance the cash position and thus the working capital of the Group; and (ii) as the status of the title of Beijing Diye is unclear, after the Disposal, all the status of title of the properties held by the Group will be clear.

In light of the above, the Directors consider that the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Disposal Agreement and the transactions contemplated thereunder constitute a very substantial disposal as defined under the Listing Rules and are subject to announcement and shareholders' approval requirements under the Listing Rules. None of the shareholders of the Company has a material interest in the transaction and none of them shall abstain from voting at the EGM. The controlling shareholder of the Company, Beijing Mingde Guangye, holding 58.8% of the issued share capital of the Company at the date of this announcement, undertakes to vote in favour of the resolution concerning the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, further information in respect of the Disposal together with the notice of EGM to be held for the Shareholders to approve the Disposal Agreement and the transactions contemplated thereunder will be despatched to the Shareholders in accordance with the Listing Rules as soon as possible.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise.

“Beijing Diye”	Beijing Diye Real Estate Development Company Limited* (北京地業房地產開發有限公司)
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“Beijing Mingde Guanye”		Beijing Mingde Guanye Investment Consultant Company Limited* (北京明德廣業投資諮詢有限公司), the controlling shareholder of the Company
“Board”		board of directors of the Company
“Business Day(s)”		any day(s) (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hour
“Company”		Shenyang Public Utility Holdings Company Limited, a company incorporated in the PRC with limited liability and the H-shares of which are listed on the Stock Exchange
“Director(s)”		the director(s) of the Company
“Disposal”		the disposal of 80% equity interest in Beijign Diye
“Due Diligence Review”		the agreed 6-week period of due diligence review conducting on the business affairs (excluding the contents relating to the land use rights of Scenic Bay located at District C of Guang Zhuang Xin Cun) and assets and liabilities of Beijing Diye
“Disposal Agreement”		the agreement dated 31 December 2008 (as supplemented by an agreement dated 15 May 2009) entered into between the Company, Zhong Yi and Beijing Diye in relation to the Disposal
“EGM”		the extraordinary general meeting of the Company to be convened for the purposes of considering and if thought fit, to approve, among other things, the Disposal
“Group”		the Company and its subsidiaries
“Listing Rules”		The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”		31 December 2009 or such later date as parties to the Disposal Agreement may agree in writing
“PRC”		The People’s Republic of China which for the purpose

	of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Scenic Bay”	the residential development project of a vacant site in Beijing as described in the section headed “Information on Scenic Bay”
“Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Shenyang Education”	Shenyang Development Beida Education Science Park Company Limited* (瀋陽發展北大教育科學園有限公司), the shareholder of 20% equity interest in Beijing Diye and is previously a subsidiary of the Company. The transaction for the disposal of Shenyang Education has been stated in the announcement dated 5 February 2009 of the Company
“Shenyang Real Estate”	Shenyang Development Real Estate Development Company Limited* (瀋陽發展房產開發有限公司), a subsidiary of the Company in which 99.86% of the equity interest is directly held by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhong Yi”	Beijing Zhong Yi Chong Yi Technology Development Company* (北京中億創一科技發展有限公司)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board of
Shenyang Public Utility Holdings Company Limited
An Mu Zong
Chairman

Shenyang, PRC 10 August 2009

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

Executive directors: Mr. An Mu Zong, Mr. Wang Zai Xing, Mr. Chow Ka Wo Alex and Mr. Wang Hui

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

Independent non executive director: Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr. Chan Ming Sun Jonathan

** for identification purposes only*