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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
IN RELATION TO ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the annual report of Shenyang Public Utility Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2019 published on 31 May 2020 (the “**2019 Annual Report**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Report.

In addition to the information provided in the 2019 Annual Report, the Company wishes to provide its shareholders and the potential investors of the Company with the following supplementary information.

IMPAIRMENT LOSS ON OTHER RECEIVABLES

Reference is made to the 2019 Annual Report, the Group recorded impairment losses under expected credit loss model, net of reversal of RMB77,614,000 (the “**Impairment**”).

Amongst the Impairment, the impairment of other receivables of the Group was RMB71,491,000, of which approximately RMB69,900,000 was arose from the impairment of the Outstanding Consideration (as defined below) of the disposal of 20% equity interests of Guangzhou Hai Yue Real Estate Development Company Limited* (廣州海粵房地產發展有限公司) (“**Hai Yue**”) (the “**Hai Yue Disposal**”).

The Company has appointed Valtech Valuation Advisory Limited, an independent valuer, to prepare the assessment report for HKFRS 9 expected credit loss for the Group (the “**ECL Report**”) as at 31 December 2019.

REASONS, DETAILS OF EVENTS AND CIRCUMSTANCES LEADING TO THE RECOGNITION OF THE IMPAIRMENT IN RELATION TO THE HAI YUE DISPOSAL

References are made to the announcements of the Company regarding the Hai Yue Disposal dated 12 September 2018, 5 October 2018, 1 November 2018, 6 December 2018, 28 December 2018 and 4 March 2019 and the circular of the Company dated 18 January 2019.

On 12 September 2018, Shenzhen Tai He Chuang Jian Investment Development Company Limited* (深圳市泰合創建投資發展有限責任公司) (a wholly-owned subsidiary of the Company) (the “**Vendor**”) and Shenzhen Hou Feng Trading Company Limited* (深圳市厚豐貿易有限公司) (the largest shareholder of Hai Yue) (the “**Purchaser**”) entered into the disposal agreement, whereby the Vendor agreed to sell 20% equity interests in Hai Yue to the Purchaser at the consideration of RMB133,000,000 (the “**Disposal Agreement**”). Pursuant to the Disposal Agreement, the consideration of RMB133,000,000 would be satisfied by the Purchaser in the following manner:

- (a) the first instalment of RMB20,000,000 shall be payable within 5 business days upon signing of the Disposal Agreement;
- (b) the second instalment of RMB50,000,000 shall be payable within 5 business days upon the Disposal Agreement and the transactions contemplated thereunder having been approved by the shareholders of the Company at a general meeting of the Company; and
- (c) the remaining balance of RMB63,000,000 shall be payable within 5 business days after the expiry date of 4 months from the date on which the Disposal Agreement and the transactions contemplated thereunder having been approved by the shareholders of the Company at a general meeting of the Company.

As at 31 December 2019, the outstanding consideration to be paid by the Purchaser was RMB113,000,000 (the “**Outstanding Consideration**”). According to the ECL Report, the expected credit loss amount of the Outstanding Consideration was approximately RMB69,900,000.

The Company considered that no impairment was required to be made to other receivables of the Group for the first half of 2019 as (i) the second instalment was payable on 11 March 2019 according to the payment schedule of the Disposal Agreement, and as at 30 June 2019, being the interim result date of the Group, it was just a short-term overdue amount; (ii) the third instalment was due in July 2019; and (iii) the Purchaser was from time to time updating the Company on the progress of arranging funds to settle the Outstanding Consideration. As such, the Company was of the view that it was reasonable to classify such amount as other receivables for the first half of 2019. However, until 31 December 2019, the Purchaser still did not settle the Outstanding Consideration, and relevant impairment was made by the Company according to the ECL Report.

The Company first became aware of the above event when the draft of the ECL Report was received on 18 May 2020 and relevant adjustment on the impairment loss was made to its consolidated financial statements. The auditor of the Group was then be informed and the draft of the ECL Report was sent to the auditor of the Group immediately. The board of the directors of the Company regarded the Impairment as properly and timely made and announced.

Reference is made to the announcement of the Company dated 28 August 2020 in relation to the interim results for the six months ended 30 June 2020. The Outstanding Consideration had been reduced to RMB87,160,000 as at 30 June 2020. The Company will actively negotiate with the Purchaser for the settlement of the balance of the Outstanding Consideration.

Qualification of the Valuer of the ECL Report

Valtech Valuation Advisory Limited (the “**Valuer**”) is an independent valuer appointed by the Company to prepare, amongst others, the ECL Report. It is experienced in providing valuation opinion for listed companies and corporates in Hong Kong, China and in the Asia Pacific Region including but not limited to financial instruments valuation, property, plant and equipment valuation, expected credit loss assessment and business valuation.

Value of Inputs Adopted in Assessing the Impairment

According to the ECL Report, the assessment is developed through the application of the three-stage general approach (the “**General Approach**”) based on the changes in credit quality since initial recognition as outlined by the HKFRS 9. 12-month expected credit loss was determined for receivables categorised under stage 1, and lifetime expected credit loss were determined for receivables categorised under stage 2 and stage 3.

The Company has informed the Valuer that the Purchaser was involved in a litigation in relation to a civil loan dispute in March 2020. According to the ECL Report, the Hai Yue Disposal is in stage 3 and the lifetime expected credit loss is assessed.

By applying the General Approach, the corporate debt default data, corporate debt recovery data and counterparties’ industry default data are adopted as the core inputs in assessing the impairment loss.

General Assumptions Adopted in Assessing the Impairment

Set out below are the general assumptions adopted in assessing the Impairment in the ECL Report:

- (a) there are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Company currently operates in and in new markets that the Company may potentially expand into as proposed by its management;

- (b) there are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;
- (c) there are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Company;
- (d) there are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Company operates in or the Company may potentially operate in;
- (e) all relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Company under the normal course of business;
- (f) the Company will be able to retain existing and competent management, key personnel, and the technical staff to support all facets of the ongoing business and future operations; and
- (g) trademarks, patents, technology, copyrights and other valuable technical and management knowhow will not be infringed in countries/regions where the Company is or will be carrying on business.

There have been no subsequent changes in the assessment method used for the year ended 31 December 2019.

The above additional information does not affect other information contained in the 2019 Annual Report and save as disclosed above, all other information in the 2019 Annual Report remains unchanged.

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

Shenyang, the PRC, 9 October 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Jing Ming, Mr. Chau Ting Yan and Mr. Leng Xiao Rong, the non-executive directors of the Company are Mr. Yin Zong Chen and Mr. Ye Zhi E and the independent non-executive directors of the Company are Mr. Chan Ming Sun Jonathan, Mr. Guo Lu Jin and Ms. Gao Hong Hong.

* For identification purpose only