



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the "Exchange")

1 February 2007

The Listing Committee of The Stock Exchange of Hong Kong Limited (the "Listing Committee") censures the following parties for breaching the Undertaking and Declaration with regard to Directors in the form set out in Appendix 5H to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Director's Undertaking"):

- 1. Mr Xu Er Hui ("Mr Xu"), an executive director of Shenyang Public Utility Holdings Company Limited (the "Company");**
- 2. Mr Wang Se ("Mr Wang"), an executive director of the Company;**
- 3. Mr Zhang Jian Bo ("Mr Zhang"), a former executive director of the Company (ceased to be director of the Company with effect from 28 November 2005); and**
- 4. Mr Geng Jian Wei ("Mr Geng"), a former executive director of the Company (ceased to be director of the Company with effect from 28 November 2005).**

On 10 October 2006, the Listing Committee conducted a hearing into the possible breach of the Director's Undertaking given by each of Mr Xu, Mr Wang, Mr Zhang and Mr Geng (collectively, the "Relevant Directors") to the Exchange. The Relevant Directors have undertaken to co-operate in any investigation conducted by, among others, the Listing Division, including answering promptly and openly any questions addressed to them, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which they are requested to appear.

Facts

The Company disclosed in its announcement dated 10 March 2004, among other things, that: (a) during the first six months of 2003, the Company had transferred an aggregate sum of RMB750 million to its parent company, Shenyang Public Utility Group Company Limited ("SPU") and its related companies (the "Fund Transfer"); (b) Deloitte Touche Tohmatsu ("Deloitte"), the then auditors of the Company, considered that the Fund Transfer should be treated as loans to related parties and were connected transactions subject to disclosure requirement thereunder; and (c) the Company differed in their view from that of Deloitte and considered that no loan or financial assistance had been given to SPU and its related companies and there was no connected transaction.

From March 2004 to October 2004, the Division made enquiries with the Company about the Fund Transfer and the Company's possible breach of Rule 14.26 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange Listing Rules"). The Company supplied agreements, board minutes, payment vouchers, copy cheques and other accounting record in relation to the Fund Transfer and the subsequent refund to the Division.

On 2 November 2004, the Division wrote to each of the Relevant Directors proposing interviews on 2 or 3 December 2004. The Relevant Directors replied that in addition to travel permits, they required the approvals of SPU and other government authorities in the PRC to attend the proposed meetings in Hong Kong. On 29 December 2004, the Relevant Directors informed the Division that the Company applied to SPU for approval on 19 November 2004. There was no progress in the application after it was submitted to SPU.

On 15 February 2006, SPU informed the Company in writing that the approval for the Relevant Directors to apply for travel permits was declined.

Decision

The Listing Committee concluded that each of the Relevant Directors breached the Director's Undertaking to co-operate in the Division's investigation into the suspected breach of the Exchange Listing Rules by the Company by reason of their failure to (a) attend meetings with the Division; and (b) take prompt and reasonable steps to procure the receipt of travel permits that the Relevant Directors claimed were required for them to travel to Hong Kong for meetings.

The Listing Committee decided to impose a **public censure** on each of the Relevant Directors for their respective breaches of the Director's Undertaking.

Head of Listing, Richard Williams, commented: "The performance by a director of his Undertaking to co-operate in the Division's investigation underpins the Exchange's ability to regulate issuers listed on the Exchange. This decision conveys an important regulatory message warranting serious attention on the part of directors and prospective directors of listed issuers and continues a theme highlighted by recent decisions of the Listing Committee.

All earlier cases in which the Committee imposed public sanctions for directors' failure to co-operate primarily concern the non-existent or tardy responses made in reply to the Division's written enquiries. This decision underlines the point that the duty to co-operate, as stated in the terms of the undertaking, extends to attendance at meetings with the Listing Division should the Division believe that the effective and proper discharge of its regulatory obligations render such an approach appropriate for an effective investigation.

It is pivotal to the proper regulation of listed issuers that directors honour all aspects of their Undertakings. Failure to comply with requests for meetings in connection with the investigation of possible breaches of the rules without reasonable excuse will be viewed in a very serious light and may render the defaulting directors liable to disciplinary action and public sanctions."