



綠色動力環保集團股份有限公司
Dynagreen Environmental Protection Group Co., Ltd.*
(a joint stock limited liability company incorporated in the People's Republic of China)
(Stock code: 1330)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014
AND
RESIGNATION OF NON-EXECUTIVE DIRECTORS**

HIGHLIGHTS OF INTERIM RESULTS

- Turnover amounted to RMB391,235,000 (same period in 2013: RMB706,008,000), representing a decrease of 45% as compared to the same period last year
- Revenue from waste-to-energy project operation services amounted to RMB128,778,000 (same period in 2013: RMB75,932,000), representing an increase of 70% as compared to the same period last year
- Revenue from waste-to-energy project construction services amounted to RMB220,145,000 (same period in 2013: RMB597,965,000), representing a decrease of 63% as compared to the same period last year
- EBITDA on recurring basis amounted to RMB145,543,000 (same period in 2013: RMB195,086,000), representing a decrease of 25% as compared to the same period last year
- Finance costs amounted to RMB62,773,000 (same period in 2013: RMB32,054,000), representing an increase of 96% as compared to the same period last year
- Listing expenses amounted to RMB15,065,000 (same period in 2013: nil)
- Profit before taxation amounted to RMB53,943,000 (same period in 2013: RMB147,534,000), representing a decrease of 63% as compared to the same period last year
- Total comprehensive income attributable to equity owners amounted to RMB34,571,000 (same period in 2013: RMB116,008,000), representing a decrease of 70% as compared to the same period last year

* For identification purpose only

- The Company issued 300,000,000 H Shares under the initial public offering and listed on the Hong Kong Stock Exchange on 19 June 2014. The Over-allotment Option in respect of an aggregate of 45,000,000 H Shares was fully exercised on 29 June 2014 and was completed on 3 July 2014. A total gross proceeds of HK\$1,190.25 million was raised from the initial public offering (before deducting listing expenses), which is equivalent to approximately RMB945 million
- The Board does not recommend the payment of an interim dividend

The board of directors (the “**Board**”) of Dynagreen Environmental Protection Group Co., Ltd. (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014.

The interim financial results are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), whose independent review report is included in the interim report to be sent to the shareholders of the Company. The interim financial results have also been reviewed by the Audit Committee of the Company.

Consolidated statements of comprehensive income
for the six months ended 30 June 2014 — unaudited

		Six months ended 30 June	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
Turnover	4	391,235	706,008
Direct costs and operating expenses		<u>(245,969)</u>	<u>(522,407)</u>
		145,266	183,601
Other revenue	5	7,375	13,965
Other net income	5	7,941	2,994
Listing expenses	6(c)	(15,065)	—
Administrative expenses		(28,761)	(20,971)
Other operating expenses		<u>(40)</u>	<u>(1)</u>
Profit from operations		116,716	179,588
Finance costs	6(a)	<u>(62,773)</u>	<u>(32,054)</u>
Profit before taxation	6	53,943	147,534
Income tax	7	<u>(19,516)</u>	<u>(30,527)</u>
Profit for the period		34,427	117,007
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements, net of nil tax		<u>144</u>	<u>(999)</u>
Total comprehensive income for the period attributable to equity owners of the Company		<u>34,571</u>	<u>116,008</u>
Basic and diluted earnings per share	8	<u>RMB0.05</u>	<u>RMB0.17</u>

Consolidated statements of financial position
at 30 June 2014 — unaudited

	<i>Note</i>	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Vehicles and equipment		6,933	7,055
Intangible assets	<i>9</i>	1,383,195	1,345,774
Investment in an associate		3,500	3,500
Other receivables	<i>10</i>	153,938	167,357
Gross amounts due from customers for contract work	<i>11</i>	1,230,024	1,078,144
Deferred tax assets		5,824	—
		2,783,414	2,601,830
Current assets			
Inventories		5,834	6,021
Trade and other receivables	<i>10</i>	280,788	209,849
Gross amounts due from customers for contract work	<i>11</i>	9,142	9,628
Restricted deposits		21,000	21,000
Cash and cash equivalents	<i>12</i>	1,017,637	502,167
		1,334,401	748,665
Current liabilities			
Loans and borrowings	<i>13</i>	568,895	410,023
Trade and other payables	<i>14</i>	272,637	209,703
Current taxation		10,078	8,302
		851,610	628,028
Net current assets		482,791	120,637
Total assets less current liabilities		3,266,205	2,722,467

Consolidated statements of financial position
at 30 June 2014 — unaudited (continued)

	<i>Note</i>	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current liabilities			
Loans and borrowings	<i>13</i>	1,061,041	1,299,425
Deferred tax liabilities		56,298	43,391
Trade payables	<i>14</i>	202,274	168,218
		<u>1,319,613</u>	<u>1,511,034</u>
NET ASSETS		<u>1,946,592</u>	<u>1,211,433</u>
CAPITAL AND RESERVES			
Capital	<i>15</i>	1,000,000	700,000
Reserves		946,592	511,433
TOTAL EQUITY		<u>1,946,592</u>	<u>1,211,433</u>

Consolidated statements of changes in equity
for the six months ended 30 June 2014 — unaudited

	<i>Note</i>	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014		<u>700,000</u>	<u>—</u>	<u>80,035</u>	<u>14,594</u>	<u>(16,764)</u>	<u>433,568</u>	<u>1,211,433</u>
Changes in equity for six months ended 30 June 2014:								
Profit for the period		—	—	—	—	—	34,427	34,427
Other comprehensive income		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>144</u>	<u>—</u>	<u>144</u>
Total comprehensive income		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>144</u>	<u>34,427</u>	<u>34,571</u>
Dividends approved in respect of the previous years	15(a)(ii)	—	—	—	—	—	(70,000)	(70,000)
Shares issued upon initial public offering	15(b)(i)	<u>300,000</u>	<u>470,588</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>770,588</u>
At 30 June 2014		<u><u>1,000,000</u></u>	<u><u>470,588</u></u>	<u><u>80,035</u></u>	<u><u>14,594</u></u>	<u><u>(16,620)</u></u>	<u><u>397,995</u></u>	<u><u>1,946,592</u></u>
At 1 January 2013		<u>700,000</u>	<u>—</u>	<u>200,955</u>	<u>7,396</u>	<u>(15,564)</u>	<u>303,865</u>	<u>1,196,652</u>
Changes in equity for six months ended 30 June 2013:								
Profit for the period		—	—	—	—	—	117,007	117,007
Other comprehensive income		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(999)</u>	<u>—</u>	<u>(999)</u>
Total comprehensive income		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(999)</u>	<u>117,007</u>	<u>116,008</u>
Acquisition of subsidiary under common control		<u>—</u>	<u>—</u>	<u>(120,920)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(120,920)</u>
At 30 June 2013		<u><u>700,000</u></u>	<u><u>—</u></u>	<u><u>80,035</u></u>	<u><u>7,396</u></u>	<u><u>(16,563)</u></u>	<u><u>420,872</u></u>	<u><u>1,191,740</u></u>

Condensed consolidated cash flow statement
for the six months ended 30 June 2014 — unaudited

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Cash used in operations	(128,759)	(166,467)
People's Republic of China ("PRC") income tax paid	(10,657)	(9,970)
Net cash used in operating activities	(139,416)	(176,437)
Net cash used in investing activities	(95)	(61,405)
Financing activities		
Net proceeds from initial public offering	791,843	—
Payment of listing expenses	(9,730)	—
Other cash flows (used in)/arising from financing activities	(135,111)	201,465
Net cash generated from financing activities	647,002	201,465
Net increase/(decrease) in cash and cash equivalents	507,491	(36,377)
Cash and cash equivalents at 1 January	502,167	185,206
Effect of foreign exchange rate changes	7,979	(794)
Cash and cash equivalents at 30 June	1,017,637	148,035

NOTES

1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial information of the Company for each of the years ended 31 December 2011, 2012 and 2013, for inclusion in the prospectus of the Company, dated 9 June 2014 (the “**Prospectus**”), except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (the “**Group**”) since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but are derived from the Prospectus.

2 Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

— Amendments to IFRS 10, *Consolidated financial statements*, IFRS 12, *Disclosure of interests in other entities* and IAS 27, *Separate financial statement — Investment entities*

— Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*

— Amendments to IAS 36, *Impairment of assets — Recoverable amount disclosure for non-financial assets*

The above amendments have no material impact to the Group’s interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

The Group operates in a single business segment which engages in waste-to-energy project construction and operation services in the PRC. Accordingly, no segmental analysis is presented.

4 Turnover

The Group is principally engaged in the waste-to-energy project construction and operation services. Turnover represents the revenue from construction services under Build-Operate-Transfer (“BOT”) and Build-Transfer (“BT”) arrangements, revenue from waste-to-energy project operation services and finance income under the BOT arrangements, as well as technical consulting income. Further details regarding the Group’s BOT arrangements are disclosed in note 11. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2014 RMB’000	2013 RMB’000
Revenue from waste-to-energy project construction services	220,145	597,965
Revenue from waste-to-energy project operation services	128,778	75,932
Finance income	42,312	30,642
Technical consulting income	—	1,469
	<u>391,235</u>	<u>706,008</u>

The Group has transactions with the PRC local government authorities and power grid companies which in aggregate exceeded 10% of the Group’s turnover. Turnover from provision of waste-to-energy project construction and operation services and finance income derived from local government authorities and power grid companies in the PRC for each of the six months ended 30 June 2013 and 2014 amounted to RMB 704,539,000 and RMB 391,235,000 respectively.

5 Other revenue and net income

	Six months ended 30 June	
	2014 RMB’000	2013 RMB’000
Other revenue		
Bank interest income	1,347	581
Government grants*	580	2,000
Value-added tax refund*	5,242	10,657
Others	206	727
	<u>7,375</u>	<u>13,965</u>
Other net income		
Net foreign exchange gain	<u>7,941</u>	<u>2,994</u>

* The government grants (unconditional) and value-added tax refund of the Group were recognised as income when there is reasonable assurance that they will be received.

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank and entrusted loans	57,057	33,517
Other interest expenses	6,941	4,935
	<u>63,998</u>	<u>38,452</u>
Less: interest expense capitalised into intangible assets*	<u>(1,225)</u>	<u>(6,398)</u>
	<u><u>62,773</u></u>	<u><u>32,054</u></u>

* The borrowing costs have been capitalised at a rate of 6.15%~7.04% during the six months ended 30 June 2014 (six months ended 30 June 2013: 6.55%~7.76%).

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	4,245	2,185
Salaries, wages and other benefits	38,622	31,831
	<u>42,867</u>	<u>34,016</u>

(c) Other items		
Cost of construction service*	164,529	475,635
Operating lease charges	877	951
Amortisation	27,782	14,875
Depreciation	1,045	623
Reversal of impairment loss on trade and other receivables	(102)	(210)
Listing expenses	<u>15,065</u>	<u>—</u>

* Cost of construction service include RMB7,965,000 and RMB7,194,000 for the six months ended 30 June 2013 and 2014 respectively relating to staff costs of employees in the construction service, whose amount is also included in the respective total amounts disclosed separately in note 6(b).

7 Income tax

Six months ended 30 June

2014	2013
<i>RMB'000</i>	<i>RMB'000</i>

Current tax

Provision for PRC income tax for the period	12,144	10,204
Under-provision in respect of prior year	290	415
	12,434	10,619

Deferred tax

Origination and reversal of temporary differences	7,082	19,908
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Income tax expense	19,516	30,527
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Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the six months ended 30 June 2013 and 2014, certain PRC subsidiaries are subject to tax concessions under the relevant tax rules and regulations.

8 Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB117,007,000 and RMB34,427,000 and the weighted average number of 700,000,000 and 719,890,000 ordinary shares in issue for the six months ended 30 June 2013 and 2014, respectively.

Diluted earnings per share

The Company did not have any potential dilutive shares during the six months ended 30 June 2013 and 2014. Accordingly, diluted earnings per share is the same as basic earnings per share.

9 Intangible assets

	Computer software <i>RMB'000</i>	Waste-to- energy project operating rights <i>RMB'000</i>	Construction license <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At 31 December 2013 and 1 January 2014	557	1,442,965	6,529	1,450,051
Additions	—	65,097	—	65,097
Exchange adjustments	—	118	—	118
At 30 June 2014	557	1,508,180	6,529	1,515,266
Accumulated amortisation:				
At 31 December 2013 and 1 January 2014	109	104,168	—	104,277
Charge for the period	29	27,660	93	27,782
Exchange adjustments	—	12	—	12
At 30 June 2014	138	131,840	93	132,071
Net book value:				
At 31 December 2013	<u>448</u>	<u>1,338,797</u>	<u>6,529</u>	<u>1,345,774</u>
At 30 June 2014	<u>419</u>	<u>1,376,340</u>	<u>6,436</u>	<u>1,383,195</u>

The cost of waste-to-energy project operating rights (the “**Operating Rights**”) represented the fair value of operating rights acquired. The Operating Rights was deemed to be definite life intangible assets as the BOT arrangements stated that the operation periods vary from 25 years to 30 years. It is expected to generate long-term net cash inflow to the Group.

For those waste-to-energy projects which have not yet commenced operation, the recoverable amount of the Operating Rights is estimated based on its future cash inflow forecast and using after-tax discount rates of 7.08%~8.57%. The recoverable amount is estimated to be higher than the carrying amount, and no impairment is required.

Amortisation of intangible assets is included in “direct costs and operating expenses” in the consolidated statements of comprehensive income of the Group.

10 Trade and other receivables

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 month	52,034	53,057
More than 1 month to 3 months	18,574	7,045
More than 3 months to 6 months	4,132	718
Over 6 months	1,494	7,775
Trade receivables net of allowance for doubtful debts	76,234	68,595
Prepayments for construction	116,899	78,013
Other receivables, deposits and prepayments	241,593	230,598
	434,726	377,206
Less: Non-current portion — Other receivables	(153,938)	(167,357)
	280,788	209,849

Included in “Other receivables, deposits and prepayments” of the Group at 31 December 2013 and 30 June 2014 were retention receivables of RMB30,000,000 and RMB35,000,000 respectively, which were expected to be recovered after more than one year.

Other receivables, deposits and prepayments of the Group include balances of RMB 33,623,000 and RMB36,751,000 at 31 December 2013 and 30 June 2014 respectively, which bear interest at rates ranging from 6.61% to 7.71% per annum and represent finance income receivables under BOT arrangements. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

Other receivables of the Group of RMB152,067,000 and RMB147,835,000 as at 31 December 2013 and 30 June 2014 respectively were unsecured, interest-bearing at 0.74% per annum, due from an unrelated party and will be repaid by instalments until 2020.

The remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

Trade receivables are due 10 days to 30 days from the date of billing. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis. Trade receivables of the Group mainly represent receivables in respect of revenue from waste-to-energy project operation services. There was no recent history of default in respect of the Group's trade receivables. Since most of the trade receivables are due from local government authorities and power grid companies in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. Specific allowances for doubtful debts of RMB301,000 in respect of the Group's trade receivables were recognised at 30 June 2014 (31 December 2013: RMB301,000).

11 Gross amounts due from customers for contract work

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	1,261,482	1,106,199
Less: Progress billings	<u>(22,316)</u>	<u>(18,427)</u>
Net contract work	<u><u>1,239,166</u></u>	<u><u>1,087,772</u></u>
Representing:		
Gross amounts due from customers for contract work		
— Non-current	1,230,024	1,078,144
— Current	<u>9,142</u>	<u>9,628</u>
Total	<u><u>1,239,166</u></u>	<u><u>1,087,772</u></u>

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the “grantors”). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage waste-to-energy projects in the PRC for a period of 25 to 30 years. The Group has the obligation to maintain the waste-to-energy power plants in good condition. The grantors guarantee that the Group will receive minimum annual payments for certain service concession arrangements. Upon expiry of the concession periods, the waste-to-energy power plants and the related facilities will be transferred to the local government authorities.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate the agreements include failure of the Group to construct or operate the waste-to-energy projects and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the agreements include failure of the grantors to make payment under the agreements and in the event of a material breach of the terms of the agreements.

Revenue relates to the construction services provided in constructing the waste-to-energy projects is recognised as “Gross amounts due from customers for contract work” and “Waste-to-energy project operating rights”.

“Gross amounts due from customers for contract work” mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates ranging from 6.61% to 7.71% per annum for the six months ended 30 June 2013 and 2014. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

12 Cash and cash equivalents

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash at bank and in hand	<u><u>1,017,637</u></u>	<u><u>502,167</u></u>

The majority of the cash at bank and in hand of the Group are dominated in Renminbi and Hong Kong dollar. Remittance of funds out of PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

13 Bank loans and other borrowings

At 30 June 2014, the loans and borrowings were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year or on demand	568,895	410,023
After 1 year but within 2 years	145,161	348,049
After 2 years but within 5 years	473,233	446,315
After 5 years	442,647	505,061
	<u>1,061,041</u>	<u>1,299,425</u>
	<u>1,629,936</u>	<u>1,709,448</u>

At 30 June 2014, the loans and borrowings were secured as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans		
— secured	855,231	896,343
— unsecured	774,705	613,105
	<u>1,629,936</u>	<u>1,509,448</u>
Unsecured entrusted loans from an equity owner	—	200,000
	<u>1,629,936</u>	<u>1,709,448</u>

Certain banking facilities of the Group as at 31 December 2013 and 30 June 2014 were secured by certain receivables and operating rights in connection with the Group's service concession arrangements. Such banking facilities were utilized to the extent of RMB855,231,000 and the relevant book value of secured assets amounted to RMB2,212,258,000 as at 30 June 2014 (31 December 2013: RMB896,343,000 of utilized banking facilities and RMB2,216,013,000 of book value of secured assets).

Apart from the above, the Company's investment in Rushan Dynagreen Renewable Energy Co., Ltd. ("Rushan Dynagreen") of RMB100,880,000 was pledged for the long-term bank loans borrowed by Rushan Dynagreen as at 31 December 2013 and 30 June 2014.

Banking facilities of RMB622,990,000 as at 30 June 2014 were subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the Group shall indemnify each lender against any cost, loss or liability incurred by such lender (including any loss of margin) within three business days of demand. At 30 June 2014, such facilities were utilized to the extent of RMB205,000,000. The Group regularly monitors its compliance with these covenants. As at 30 June 2014, none of the covenants relating to drawn down facilities had been breached.

14 Trade and other payables

As at the end of the reporting period, the ageing analysis of trade creditors is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	114,313	145,095
Due after 1 month but within 3 months	11,196	1,207
Due after 3 months but within 6 months	7,830	8,071
Due after 6 months but within 9 months	2,362	2,983
Due after 9 months but within 12 months	3,353	2,275
Due after 12 months	202,930	168,218
Total trade payables	341,984	327,849
Other payables and accruals	132,927	50,072
	474,911	377,921
Less: Non-current portion — trade payables	(202,274)	(168,218)
	272,637	209,703

Trade payables of RMB173,537,000 and RMB207,659,000 as at 31 December 2013 and 30 June 2014 respectively were unsecured, interest-bearing ranging from 5.94% to 7.23% per annum, due to unrelated suppliers and will be repaid by installments during the service concession period of the Group's respective BOT arrangements, among which RMB168,218,000 and RMB202,274,000 respectively were not expected to be settled within one year.

Except as disclosed above, all of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

15 Capital and reserves

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

The directors do not propose the payment of interim dividends for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial years, approved but not paid during the interim period

	For the six months ended 30 June 2014 RMB'000	2013 RMB'000
Dividends in respect of the previous financial years, approved during the interim period ended 30 June 2014 of RMB1 per 10 share (six months ended 30 June 2013: Nil)	70,000	—

(b) *Share capital*

(i) *Authorised and issued share capital*

	At 30 June 2014		At 31 December 2013	
	Number of Shares	RMB'000	Number of Shares	RMB'000
Ordinary shares, issued and fully paid				
At 1 January	700,000,000	700,000	700,000,000	700,000
Shares issued upon initial public offering	300,000,000	300,000	—	—
At 30 June/31 December	<u>1,000,000,000</u>	<u>1,000,000</u>	<u>700,000,000</u>	<u>700,000</u>

On 19 June 2014, 300,000,000 ordinary shares with par value at RMB1 each were issued at a price of HK\$3.45 per share under the initial public offering of the Company. Proceeds of RMB300,000,000 representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB51,036,000, were credited to the share premium account of the Company. After the completion of the initial public offering, 354,859,792 shares of the Company were listed on The Stock Exchange of Hong Kong Limited as at 30 June 2014.

On 29 June 2014, the Company announced that the Over-allotment Option described in the Prospectus has been fully exercised by the sole global coordinator in respect of an aggregate of 45,000,000 additional ordinary shares. The ordinary shares were issued by the Company at HK\$3.45 per share on 3 July 2014. The additional gross proceeds received by the Company on 3 July 2014 in connection with the over-allotment issue were approximately HK\$155,250,000 (approximately RMB123,357,000), which were credited to the share capital and share premium accounts subsequent to 30 June 2014. After the completion of the over-allotment, a total number of 404,359,792 shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

(c) *Share Premium*

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

16 Material related party transactions

(a) *Transactions with related parties*

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest paid to equity owners	3,080	5,913
Service fee to Changzhou Zhengyuan Environmental Protection Resources Utilization Co., Ltd. ("Changzhou Zhengyuan")*	717	475
Management Service fee to Changzhou Zhengyuan	500	500
Heating service income from Changzhou Zhengyuan	—	31
Collection of slag processing fee on behalf of Changzhou Zhengyuan	<u>1,133</u>	<u>1,257</u>

* Changzhou Zhengyuan is the PRC joint venture partner of Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd., a subsidiary of the Company.

(b) Corporate guarantee provided from the immediate holding company in respect of banking facilities granted to the Company amounted to RMB622,990,000 as at 31 December 2013 and 30 June 2014.

(c) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	2,648	2,344
Contributions to defined contribution retirement plans	128	112
Within 1 year	2,776	2,456

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2014 marks a meaningful milestone for the Group's development. With strong support from the shareholders, regulatory authorities and the parties concerned, the Group has successfully gained access to the international capital market which has laid a strong foundation for achieving sustainable healthy development in the future.

With the continuous economic growth in the PRC and the demand arising from the structural transformation of the economy, the environmental industry continued to maintain favorable momentum of growth. In the first half of 2014, the Group continued to promote waste-to-energy business steadily, continuously raised the management standard, strengthened the awareness of standardized management of various projects under operation, ensured the projects "operate stably and meet emission standard", efficiently drove the construction process of both work in progress and planned projects while making all endeavours to build quality project works. The Group also continued to strengthen research and development of technology, to expand the source of financing and to develop new projects, all of which would ensure the Group's sustainable development.

However, owing to the nature of our construction services, and the fact that projects under construction were at the early stage of construction during the first half of 2014, and the revenue from BOT construction service recognized was relatively low, which led to the drop in the Group's revenue and profit in the first half of 2014 as compared to the same period last year. In the first half of 2014, the Group's recognized turnover was RMB391.24 million, representing a drop of 45% as compared to the same period of the previous year; and total recognized profit was RMB34.43 million, representing a drop of 71% as compared to the same period of the previous year. In terms of our revenue from waste-to-energy project operation services and construction services, the Group recorded RMB128.78 million and RMB220.15 million respectively during the first half of 2014, representing an increase of 70% and a decrease of 63%, respectively, as compared to the same period in 2013. As of 30 June 2014, the Group's total assets was RMB4,117.82 million and the total equity was RMB1,946.59 million.

(1) Rapid progress in the listing, successful access to the international capital market

As a leading enterprise in the waste-to-energy industry in the PRC, the Group successfully listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 19 June 2014 and gained access to the international capital market. Being the first enterprise that engages in the waste-to-energy business becoming listed on the Hong Kong Stock Exchange, the listing of the Company was well received by various investors. The international placing and Hong Kong public offering were both over-subscribed. After becoming listed on the Hong Kong Stock Exchange, the Sole Global Coordinator (as defined in the prospectus of the Company dated 9 June 2014) fully exercised the Over-Allotment Option (as defined in the prospectus of the Company dated 9 June 2014) and the issue of shares was completed on 3 July 2014. As at 3 July 2014, an aggregate of HK\$1,190.25 million was raised from the listing. After deducting various share issuance costs, the net proceeds was HK\$1,126 million, which further built up the Company’s capital strength, expanded the market influence of the Company’s brand, and this has laid a sound foundation for the development of the Company.

(2) Safe and steady operation of projects under operation, meeting environmental standard, handling an aggregate of 0.953 million tons domestic waste and realizing on-grid electricity 193 million kWh

In the first half of the year, the Group continued to adhere to ‘standardized management’ as the focus of operation management and operated closely under the concept of ‘safe, environmental friendly, civilized and effective’, while kept on strengthening the awareness of standardized management of each operation project. Fairly good results were achieved in the management of each project under operation as evidenced by the fact that no safety incident had occurred and the environmental standard of emission was met. The Group has been focusing on further enhancing the economic efficiency and maintaining the growth of operating service income by increasing the electricity generated per ton of waste and lowering the electricity consumption of our own factories.

In the first half of 2014, the Group treated 0.953 million tons of domestic waste, representing an increase of 70.09% as compared to the same period in 2013. In the first half of 2013, the Company realized on-grid electricity of 114 million kWh, representing a growth of 69.3% to 193 million kWh in the first half of 2014.

(3) Projects under construction progressing well and relevant work are ahead of schedule

In the first half of the year, the Group had 4 projects under construction or pre-construction preparation, namely the Huizhou Landfills Project, the Anshun Project, the Jurong Project and the Jixian Project. The project construction works are in steady progress. The landfill work of Huizhou Project continued smoothly in the first half of the year and the relevant landfill work is mostly completed at this moment. The waste storage tanks and the underground slag pool of the main plant of Anshun Project were completed; the construction work of Jurong Project commenced in June and the excavation of the main body has begun; the foundation construction of Jixian Project commenced and the site formation was almost completed. As stated in the prospectus of the Company dated 9 June 2014, the designed daily waste treatment capacity of the Huizhou Project, the Anshun Project, the Jurong Project and the Jixian Project were 1,200 tons, 700 tons¹, 700 tons² and 700 tons³, respectively.

(4) Success in procuring new project, positive results in financing activities and breakthrough in technology research and development

In respect of procurement of new projects, through leveraging on the Group's competitive advantage in developing waste-to-energy projects, we successfully procured Longhui Project in Hunan with a designed total capacity of 1,050 tons per day, where one of the phases processes 700 tons per day and the aggregate investment amounted to approximately RMB283 million for Phase I. The concession period of the Longhui Project is 30 years, starting from the date on which the power plant begins to operate. The waste treatment fee shall be RMB73 per ton of municipal solid waste, subject to adjustment under the prevailing market conditions.

In respect of financing, the Group continued to expand financing channels, strengthen cooperation with different financial institutions, and actively apply for credit from banks. Since 2013, the Group received credit facilities of RMB60 million from China Merchants Bank and RMB150 million from China Everbright Bank, and also obtained credit approval for a RMB220 million credit facility from Bank of Beijing for constructing the Huizhou Landfills Project, the Anshun Waste-To-Energy Project and the Jurong Waste-To-Energy Project, respectively. The Group was also granted a loan of RMB210 million from China Merchants Bank and entrusted loans of RMB200 million from Ping An Trust for repaying the Group's short-term loans.

¹ The waste treatment capacity of Phrase I was 700 tons per day, while that of Phrase II was an additional 350 tons per day.

² The waste treatment capacity of Phrase I was 700 tons per day, while that of Phrase II was an additional 350 tons per day.

³ The waste treatment capacity of Phrase I was 700 tons per day, while that of Phrase II was an additional 350 tons per day.

In respect of technology research and development, as a high-tech environmental enterprise, the Group places emphasis on high-tech innovation in leading the development of the Group. In the first half of 2014, the design research and development of a new 400-ton triple drive grate waste incinerator was completed. The project of oxygen-enriched waste incineration processes which was jointly researched and developed with Huazhong University of Science and Technology had commenced and the Group achieved a breakthrough in the technology on the additives ratio in flue gas deacidification and the collection of leachate (煙氣脫酸加料配比和滲濾液收集技術). The Group also applied for two utility patents, namely “The technique on the quantitative ratio of additives in the purifying system for the deacidification of flue gas from the incineration of domestic waste” (生活垃圾焚燒煙氣脫酸淨化系統定量配比加料工藝) and “a device for collecting leachate drained from the waste pool of waste-to-energy power plant”(關於垃圾焚燒發電廠垃圾池滲濾液排出收集的一種裝置方法).

(5) Further regulation on the internal control of the Group and various areas of internal management

In the first half of the year, the Group further improved its internal control system to cope with the requirements of a listed company. Amendments were made to the Articles of Association, the rules and procedures of the shareholders’ general meeting, the Board and the supervisory committee and other internal management manuals. With further regulation on the management of the Company, the Group further raised the efficiency of management.

In respect of human resources, the Group put strong emphasis on human resources management, focusing on nurturing and selecting talents. In the first half of the year, the Group further enforced the professional management of human resources. Under the concept “standardizing operations, streamlining procedures, enhancing efficiency, improving services”, the Group’s human resources procedures were rationalized, optimized and integrated. Meanwhile, the Group also endeavoured to expand the channels of recruitment, placing bigger effort in recruiting candidates of high calibre and adopting a system of internal referral of talents. A total of 46 staff were recruited (10 of which were senior management personnel). The Group optimized the orientation program for the middle and senior management and the assessment of new staff after probation and established scientifically-designed training programs for fresh graduates so as to ensure the supply of talents for the Group’s development.

As at 30 June 2014, the Group had a total of 812 staff and the total staff cost was RMB42.87 million in the first half of 2014.

In respect of internal control, the Group placed emphasis on internal management, and continued to enhance its system and mechanism on internal control. The Group also strengthened its management on legal affairs so that legal professionals could participate more in the Company’s operation with a view to minimizing our legal risks. The Group formulated its internal audit plan and conducted its internal audits pursuant to the requirements for listed companies in Hong Kong. The Group also conducted planned specific audits on projects of its subsidiaries as well as key departments and key posts.

In respect of intellectual property rights, the Group continued to upgrade its protection for intellectual property rights and took the initiative in applying for patents for the innovative achievements in the research and development by its technology department. The patent for

its “Leachate drainage device of waste pool in incinerating plant” (焚燒廠垃圾池滲濾液導排裝置) had been granted. The Group also applied patents for utility model as well as the invention of its “The technique on the quantitative ratio of additives in the purifying system for the deacidification of flue gas from the incineration of domestic waste” (生活垃圾焚燒煙氣脫酸淨化系統定量配比加料工藝), and the patent for the utility model of its “New sealing technique for the ceiling of waste warehouse in waste incinerating plant”(垃圾焚燒廠垃圾庫頂密封新工藝) and “New anticorrosive technique for the ceiling of waste warehouse in waste incinerating plant”(垃圾焚燒廠垃圾庫頂防腐新工藝) under the technology innovation of its procurement department.

Business Outlook

Industry Prospect

While the attention to the people’s livelihood by the PRC government escalates, more and more emphasis is being placed on the environmental protection industry. The progress of urbanisation, the building of a beautiful China and the realisation of the Chinese Dream remain as the strong driving forces behind the growth of the environmental protection industry. More regulations will be in place to regulate market competition in the environmental protection industry. Listed enterprises who own independent intellectual property rights for core technologies, possessing extensive experience in construction and operation, with standardised operation and management as well as ample funds will be able to secure more resources through their operation in the regulated market and will be able to develop more rapidly.

The progress of modern urbanization drives the setting up of waste treatment facilities in small and mid-size cities, which is in line with the country’s general policy. Modern urbanization and the establishment of modern villages are the main objectives of the country’s modernisation process for the next decade. In such context, the government’s dedication to improve the environment in small and mid-sized cities as well as modern villages will create an emerging market for services in the environmental protection industry, and waste treatment facilities will reach further to small and mid-sized cities. The more stringent emission standards and tighter regulations escalate the cost of service. Despite the adoption of European Union standards in newly-built incinerators in various Chinese cities nowadays, relatively large discrepancies exist between the standards adopted by them and the internationally accepted ones. The implementation of more rigorous standards and stricter regulations will be China’s main direction of regulation in the future.

Through reviewing the development process of the developed countries’ waste incineration industry around the world, the industry had to undergo a process from the early stage to the stage of competition and then to the exploration of market for survival, and finally to the stage of large-scale restructuring. It is an inexorable trend of development. In addition, the current economic transformation in China will also have a profound impact on the market competition environment of the waste incineration industry. Industry merger/consolidation will be further intensified. Being comprehensive, large-scale and market-oriented will be the inevitable direction of development for the industry. Against the backdrop that the country places strong emphasis on environmental protection and the development of the environmental industry, the development of the environmental services industry has become the main driving force of promoting the development of environmental industry, and the industry will continue to undergo in-depth transformation and upgrade.

Development Prospect of the Company

Being one of the leading waste-to-energy companies in the PRC, the Group will build on its comprehensive competitive edges under the favourable national policy and continue to strive for excellence in construction, operation and management of every project. The Group will also ride on its core competitiveness in its research and development and constant innovation as well as its top management capabilities to enlarge and strengthen its waste-to-energy business so as to create greater contributions to the environmental protection industry in the PRC.

In addition, the Group will continue to expand into the domestic waste-to-energy market and consolidate its investment presence in the Yangtze River Delta region, Pearl River Delta region and Bohai region, and continue to expand its footprint in the PRC based on its development strategy.

Looking ahead, the environmental protection industry will continue to benefit from the strong support of national policy. As a pioneer in the field of waste treatment, the Group is committed to upholding its core principle of “generating social benefits is the primary goal while economic efficiency is the basis”. The Group is dedicated to provide professional, high-quality and efficient municipal solid waste treatment services for the government, provide systematic solutions in order to reduce the toxicity and volume of municipal solid waste and transform it into a useful resource, improve environmental standards in the cities, make greater contributions to the environmental management and generate better returns for its shareholders.

Financial Review

Financial Position

During the first half of 2014, the Group achieved a turnover of RMB391.24 million and a total profit of RMB34.43 million. As at 30 June 2014, the total assets and the total liabilities of the Group amounted to RMB4,117.82 million and RMB2,171.23 million, respectively; the total equity amounted to RMB1,946.59 million; the gearing ratio (calculated by total liabilities over total assets) was 52.73%, and the net asset value per share attributable to equity shareholders of the Company was RMB1.95.

Administrative Expenses and Listing Expenses

During the first half of 2014, the administrative expenses and listing expenses of the Group amounted to approximately RMB43.83 million (same period in 2013: RMB20.97 million), accounting for approximately 11.2% (same period in 2013: 2.97%) of the turnover of the Group. The increase in the administrative expenses and listing expenses over the same period of the previous year was mainly attributable to the listing expenses for the initial public offering and to the Company’s continuing expansion of its scale, as compared with the same period of the previous year, resulting in the increases in various expenses.

Finance Costs

During the first half of 2014, the finance costs for this period amounted to RMB62.77 million, representing an increase of approximately RMB30.72 million over the same period of the previous year, which was mainly attributable to the following reasons: (1) the three projects in Wuhan, Taizhou and Rushan commenced operation successively in the second half of 2013 and, accordingly, their interests on loans could not be capitalized in this period and had to be expensed in the profit and loss account; (2) during the second half of 2013, the Group borrowed RMB200 million from Beijing Venture Capital Co., Ltd. and drew down a loan of RMB205 million from the Asian Development Bank, resulting in the increase in the finance costs for this period.

Income tax

During the first half of the year, the income tax expenses of the Group amounted to approximately RMB19.52 million (same period in 2013: RMB30.53 million), accounting for approximately 36.2% (same period in 2013: 20.7%) of the profit before taxation of the Group.

Financial Resources and Liquidity

The Group adopts the prudent principle in cash and financial management to ensure proper risk control and low costs of funds. It finances its operations primarily from cash flow generated internally and loan facilities from banks. As at 30 June 2014, the Group had a cash balance of RMB1,017,637,000, representing an increase of RMB515,470,000 as compared to RMB502,167,000 as at the end of 2013. The increase in cash balances was mainly attributable to the funds raised through the listing. Currently, the Group's cash is denominated in either Renminbi or Hong Kong dollars.

Loans and Borrowings and Pledge of Assets

As at 30 June 2014, the Group had total outstanding borrowings of RMB1,629,936,000, representing a decrease of RMB79,512,000 as compared to RMB1,709,448,000 at the end of 2013. The borrowings included secured loans of RMB855,231,000 and unsecured loans of RMB774,705,000. The borrowings of the Group are all denominated in Renminbi. Most of the borrowings of the Group are at floating rates. As at 30 June 2014, the Group had banking facilities in the total amount of RMB2,385,206,000, of which RMB755,270,000 have not been utilized. The banking facilities have terms ranging from 1 year to 12 years.

Certain receivables and operating rights in connection with the Group's service concession arrangements (including intangible assets, gross amounts due from customers for contract work and trade and other receivables) and the Group's investment in Rushan Dynagreen Renewable Energy Co., Ltd. were pledged under the banking facilities. The book value of the pledged receivables and operating rights amounted to approximately RMB2,212,258,000 as at 30 June 2014.

Contingent Liabilities

The Company has issued financial guarantees to banks in respect of the banking facilities granted to certain subsidiaries. The directors of the Company (the “**Directors**”) do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2013 and 30 June 2014 under the guarantees issued is the facility drawn down by the subsidiaries of RMB881,621,000 and RMB864,308,000, respectively.

Commitments

As at 31 December 2013 and 30 June 2014, the Group had outstanding purchase commitments in connection with the Group’s construction contracts not provided for in the Group’s interim financial report of RMB132,528,000 and RMB373,006,000, respectively.

As at 31 December 2013 and 30 June 2014, the Group and the Company had outstanding capital commitment in connection with the Company’s investment in the associate, Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd., not provided for in the Group’s interim financial report of RMB14,000,000.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2014 RMB’000	As at 31 December 2013 RMB’000
Within one year	31	430

Foreign Exchange Risks

The functional currency of the Group is Renminbi while a portion of funds raised by the Group from the initial public offering is still in the form of bank deposits denominated in Hong Kong dollars. Therefore, it may be subject to the risks of exchange rate fluctuations of the Renminbi and the Hong Kong dollar. Apart from the above, most of the assets and transactions of the Group are dominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated in Renminbi, thus the Group is not exposed to any significant foreign exchange risks.

Significant Investments, Acquisitions and Disposals

During the six months ended 30 June 2014, the Group did not make any significant investments, acquisitions or disposals.

Human Resources

As at 30 June 2014, the Group had a total of 812 staff. The total staff cost was RMB42.87 million for the first half of 2014.

The Group also uses a fixed set of criteria in staff evaluation. The Group continuously seeks to improve its staff remuneration and benefits programs.

The Group also provides systematic training. By facilitating self-study, after-work training, on-the-job training and off-the-job training, the Group educates its employees about the history, culture, vision, beliefs and basic rules of the Company, as well as its systems and operation management, environmental and safety issues, waste-to-energy industry know-how, relevant laws and regulations as well as the Group's core technologies and production procedures. In particular, the Group recruits recent graduates with high levels of education from technical schools, secondary technical schools, colleges and universities and trains them through trainee mentoring programs so as to nurture a pool of back-up personnel.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (the “**Reporting Period**”).

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Code Provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. From the date of listing on the Hong Kong Stock Exchange and up to the date of this announcement, the Company has complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with the Listing Rules. During the Reporting Period, the Audit Committee of the Company comprised two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Ms. Chen Xin, and a non-executive Director, namely Mr. Yao Ji. Mr. Kwan Kai Cheong was the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include (but not limited to): (i) proposing appointment, re-appointment or removal of external auditors; (ii) reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) reviewing the financial information of the Company; (iv) overseeing the financial reporting system and internal control procedures of the Company; and (v) enhancing communication channels which the Group's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee had reviewed this interim results announcement of the Group.

REMUNERATION AND APPRAISAL COMMITTEE

The Company has established a remuneration and appraisal committee (the “**Remuneration Committee**”) in compliance with the Listing Rules. During the Reporting Period, the Remuneration Committee comprised two independent non-executive Directors, namely Mr. Lai Desheng and Ms. Chen Xin, and a non-executive Director, namely Ms. Sun Jing. Ms. Chen Xin was the chairman of the Remuneration Committee.

The primary responsibilities of the Remuneration Committee include (but not limited to): (i) researching and recommending to the Board on the Company’s remuneration structure and policy for all Directors, Supervisors (the “**Supervisors**”) and senior management of the Company; (ii) determining, with delegated responsibilities from the Board, or recommending to the Board the remuneration packages of individual executive Directors and members of the senior management; (iii) recommending to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct; and (v) monitoring the implementation of remuneration policies of Directors, Supervisors and senior management.

NOMINATION COMMITTEE

The Company has established a nomination committee (the “**Nomination Committee**”) in compliance with the Listing Rules. During the Reporting Period, the Nomination Committee comprised two independent non-executive Directors, namely Mr. Lai Desheng and Mr. Kwan Kai Cheong, and a non-executive Director, namely Mr. Guo Yanbin. Mr. Lai Desheng was the chairman of the Nomination Committee.

The primary responsibilities of the Nomination Committee include (but not limited to): (i) making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors; (ii) reviewing the structure, size and composition of the Board annually and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; and (iii) identifying individuals suitably qualified to become Directors, selecting or recommending to the Board on the selection of individuals nominated for directorships or providing advice to the Board in respect thereof.

STRATEGY COMMITTEE

The Company has also established a strategy committee (the “**Strategy Committee**”). During the Reporting Period, the Strategy Committee comprised three non-executive Directors, namely Mr. Zhi Jun, Ms. Sun Jing and Mr. Liu Shuguang, an executive Director, namely Mr. Qiao Dewei, and an independent non-executive Director, namely Mr. Lai Desheng. Mr. Zhi Jun was the chairman of the Strategy Committee.

The primary responsibilities of the Strategy Committee include (but not limited to): (i) researching and recommending on the medium to long term strategic and development plans of the Company; (ii) researching and recommending on significant capital expenditure, investment and financing projects of our Company; and (iii) researching and recommending on significant matters relating to the development of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the listing date on 19 June 2014 and up to 30 June 2014, the Board had complied with (1) the requirement that the board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

TRADING OF SHARES BY DIRECTORS AND SUPERVISORS

The Company has adopted Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel (the “**Management Measures**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. The Company had made specific inquiries to all of the Directors and the Supervisors on whether they had complied with the Management Measures since the date on which the Company became listed on the Hong Kong Stock Exchange and up to 30 June 2014, and all of the Directors and the Supervisors had confirmed that they had all complied with the Management Measures.

PURCHASE, SALE AND REDEMPTION OF SHARES OF THE COMPANY

From the date on which the Company became listed on the Hong Kong Stock Exchange and up to the date of this announcement, there has been no purchase, sale or redemption of the Company’s listed shares by the Company or any of its subsidiaries.

USE OF PROCEEDS

The Company raised a total of HK\$1,190.25 million of proceeds after the completion of the Global Offering (as defined in the prospectus of the Company dated 9 June 2014) of H Shares on 19 June 2014 and the completion of the Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014) on 3 July 2014. The net proceeds amounted to HK\$1,126 million after deducting various share issuance costs. None of the proceeds was utilised during this interim period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, from the date on which the Company became listed on the Hong Kong Stock Exchange and up to the date of this announcement, the Company had maintained a public float as required under the Listing Rules.

GLOBAL OFFERING

On 19 June 2014, the H Shares of the Company became listed on the Main Board of the Hong Kong Stock Exchange, pursuant to which the Company issued 300,000,000 new H Shares at HK\$3.45 per H Share.

EVENTS AFTER THE REPORTING PERIOD

(i) Increase in the registered share capital

Pursuant to the exercise of Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014), the registered share capital of the Company increased by RMB45,000,000 to RMB1,045,000,000 on 3 July 2014, divided into 1,045,000,000 ordinary shares at par value of RMB1.00 each.

(ii) The exercise of Over-allotment Option

Pursuant to the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014) granted under the Global Offering (as defined in the prospectus of the Company dated 9 June 2014) on 29 June 2014, the Company allotted an aggregate of 45,000,000 new H Shares on 3 July 2014. The total number of issued shares of the Company therefore increased by 4.5%.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.dynagreen.com.cn). The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in September 2014.

RESIGNATION OF NON-EXECUTIVE DIRECTORS

Due to age reason, Mr. Guo Yanbin has tendered to the Board his resignation as deputy chairman, non-executive Director and a member of the Nomination Committee of the Board. The resignation shall take effect from 20 August 2014.

Due to his work arrangements, Mr. Yao Ji has tendered to the Board his resignation as the non-executive Director and a member of the Audit Committee of the Board. Such resignation shall take effect from 20 August 2014.

Mr. Guo Yanbin and Mr. Yao Ji have both confirmed that they have no disagreement with the Board, and there are no matters that need to be brought to the attention of the shareholders of the Company.

The Board would like to express its sincere gratitude and the highest respect to Mr. Guo Yanbin and Mr. Yao Ji for excellent contributions to the Company.

In addition, on 20 August 2014, the Board approved the proposal in respect of the appointment of Mr. Hu Shengyong as an executive Director and the appointment of Mr. Ma Xiaopeng as the non-executive Director, a member of the Nomination Committee of the Board and a member of the Audit Committee of the Board and their terms of office shall come into effect from the date on which their appointments are approved by the shareholders of the Company at a general meeting. In this connection, the Company will publish a separate notice to convene an extraordinary general meeting of the Company in due course and a relevant announcement of the appointments, at the relevant time, which will include, among others, the biographical information of Mr. Hu Shengyong and Mr. Ma Xiaopeng as required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

By Order of the Board
Dynagreen Environmental Protection Group Co., Ltd.*
Zhi Jun
Chairman

Shenzhen, the PRC, 20 August 2014

As at the date of this announcement, the non-executive Directors are Mr. Zhi Jun, Ms. Sun Jing and Mr. Liu Shuguang, the executive Director is Mr. Qiao Dewei and the independent non-executive Directors are Mr. Lai Desheng, Ms. Chen Xin and Mr. Kwan Kai Cheong.

* For identification purposes only