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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 2016**

HIGHLIGHTS OF INTERIM RESULTS

- Revenue amounted to approximately RMB831,967,000 (same period in 2015: RMB651,550,000), representing an increase of 28% as compared to the same period last year
- Income from waste-to-energy project operation services amounted to approximately RMB210,987,000 (same period in 2015: RMB186,237,000), representing an increase of 13% as compared to the same period last year
- Income from waste-to-energy project construction services amounted to approximately RMB550,587,000 (same period in 2015: RMB398,586,000), representing an increase of 38% as compared to the same period last year
- Earnings before interest, tax, depreciation and amortization (EBITDA) on recurring basis amounted to approximately RMB286,962,000 (same period in 2015: RMB240,687,000), representing an increase of 19% as compared to the same period last year
- Finance costs amounted to approximately RMB52,508,000 (same period in 2015: RMB62,510,000), representing a decrease of 16% as compared to the same period last year
- Profit before taxation amounted to approximately RMB201,079,000 (same period in 2015: RMB147,775,000), representing an increase of 36% as compared to the same period last year
- Total comprehensive income attributable to equity shareholders amounted to RMB167,626,000 (same period in 2015: RMB110,027,000), representing an increase of 52% as compared to the same period last year
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (same period in 2015: nil)

The board of directors (the “**Board**”) of Dynagreen Environmental Protection Group Co., Ltd. (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016.

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, whose independent review report will be 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.

FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016 — unaudited (Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	RMB'000	RMB'000
Revenue	4	831,967	651,550
Direct costs and operating expenses		<u>(569,394)</u>	<u>(418,938)</u>
		262,573	232,612
Other revenue	5	35,811	11,435
Other net (loss)/income	5	(432)	341
Administrative expenses		(44,351)	(33,263)
Other operating expenses		<u>(14)</u>	<u>(840)</u>
Profit from operations		253,587	210,285
Finance costs	6(a)	<u>(52,508)</u>	<u>(62,510)</u>
Profit before taxation	6	201,079	147,775
Income tax	7	<u>(35,473)</u>	<u>(37,383)</u>
Profit for the period		165,606	110,392
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements, net of nil tax		<u>2,020</u>	<u>(365)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company		<u>167,626</u>	<u>110,027</u>
Earnings per share	8		
Basic		<u>RMB0.16</u>	<u>RMB0.11</u>
Diluted		<u>RMB0.16</u>	<u>RMB0.11</u>

Consolidated statement of financial position
at 30 June 2016 — unaudited (Expressed in Renminbi)

		At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Other property, plant and equipment		9,603	9,543
Intangible assets	9	2,301,484	1,948,672
Investment in an associate		3,500	3,500
Other receivables	10	324,116	211,249
Gross amounts due from customers for contract work	11	2,038,563	1,871,490
Deferred tax assets		<u>1,527</u>	<u>1,679</u>
		<u>4,678,793</u>	<u>4,046,133</u>
Current assets			
Inventories		24,641	15,370
Trade and other receivables	10	499,360	450,951
Gross amounts due from customers for contract work	11	15,872	12,706
Restricted deposits		48,374	26,366
Cash and cash equivalents	12	<u>437,112</u>	<u>534,643</u>
		<u>1,025,359</u>	<u>1,040,036</u>
Current liabilities			
Loans and borrowings	13	884,564	352,314
Trade and other payables	14	427,568	343,477
Current taxation		26,155	19,677
Current portion of deferred income		<u>333</u>	<u>—</u>
		<u>1,338,620</u>	<u>715,468</u>
Net current (liabilities)/assets		<u>(313,261)</u>	<u>324,568</u>
Total assets less current liabilities		<u>4,365,532</u>	<u>4,370,701</u>

Consolidated statement of financial position (continued)
at 30 June 2016 — unaudited (Expressed in Renminbi)

		At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Loans and borrowings	<i>13</i>	1,380,559	1,546,343
Deferred tax liabilities		91,581	77,586
Trade payables	<i>14</i>	337,392	336,382
Non-current portion of deferred income		<u>9,334</u>	<u>—</u>
		<u>1,818,866</u>	<u>1,960,311</u>
NET ASSETS		<u>2,546,666</u>	<u>2,410,390</u>
CAPITAL AND RESERVES			
Capital	<i>15</i>	1,045,000	1,045,000
Reserves		<u>1,501,666</u>	<u>1,365,390</u>
TOTAL EQUITY		<u>2,546,666</u>	<u>2,410,390</u>

Consolidated statement of changes in equity

for the six months ended 30 June 2016 — unaudited (Expressed in Renminbi)

	Note	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2015		<u>1,045,000</u>	<u>548,950</u>	<u>80,035</u>	<u>14,594</u>	<u>(16,800)</u>	<u>505,613</u>	<u>2,177,392</u>
Changes in equity for the six months ended 30 June 2015:								
Profit for the period		—	—	—	—	—	110,392	110,392
Other comprehensive income		—	—	—	—	(365)	—	(365)
Total comprehensive income		—	—	—	—	(365)	110,392	110,027
Balance at 30 June 2015 and 1 July 2015		<u>1,045,000</u>	<u>548,950</u>	<u>80,035</u>	<u>14,594</u>	<u>(17,165)</u>	<u>616,005</u>	<u>2,287,419</u>
Changes in equity for the six months ended 31 December 2015:								
Profit for the period		—	—	—	—	—	116,366	116,366
Other comprehensive income		—	—	—	—	6,605	—	6,605
Total comprehensive income		—	—	—	—	6,605	116,366	122,971
Appropriation to statutory reserve		—	—	—	7,820	—	(7,820)	—
Balance at 31 December 2015		<u>1,045,000</u>	<u>548,950</u>	<u>80,035</u>	<u>22,414</u>	<u>(10,560)</u>	<u>724,551</u>	<u>2,410,390</u>
Balance at 1 January 2016		<u>1,045,000</u>	<u>548,950</u>	<u>80,035</u>	<u>22,414</u>	<u>(10,560)</u>	<u>724,551</u>	<u>2,410,390</u>
Changes in equity for the six months ended 30 June 2016:								
Profit for the period		—	—	—	—	—	165,606	165,606
Other comprehensive income		—	—	—	—	2,020	—	2,020
Total comprehensive income		—	—	—	—	2,020	165,606	167,626
Dividends approved in respect of the previous years	15	—	—	—	—	—	(31,350)	(31,350)
Balance at 30 June 2016		<u>1,045,000</u>	<u>548,950</u>	<u>80,035</u>	<u>22,414</u>	<u>(8,540)</u>	<u>858,807</u>	<u>2,546,666</u>

Condensed consolidated cash flow statement*for the six months ended 30 June 2016 — unaudited (Expressed in Renminbi)*

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Operating activities		
Cash used in operations	(399,057)	(238,136)
People's Republic of China ("PRC") income tax paid	<u>(14,848)</u>	<u>(19,880)</u>
Net cash used in operating activities	<u>(413,905)</u>	<u>(258,016)</u>
Net cash (used in)/generated from investing activities	<u>(158)</u>	<u>2,419</u>
Financing activities		
Payment of listing expenses	(1,314)	(2,201)
Other cash flows arising from financing activities	<u>316,290</u>	<u>51,589</u>
Net cash generated from financing activities	<u>314,976</u>	<u>49,388</u>
Net decrease in cash and cash equivalents	(99,087)	(206,209)
Cash and cash equivalents at 1 January	534,643	762,356
Effect of foreign exchanges rate changes	<u>1,556</u>	<u>(21)</u>
Cash and cash equivalents at 30 June	<u><u>437,112</u></u>	<u><u>556,126</u></u>

NOTES

(Expressed in Renminbi unless otherwise indicated)

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 (the “**Listing Rules**”), 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any 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 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

Going concern

The interim financial information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 June 2016 amounting to RMB313,261,000 and the purchase and capital commitments already contracted for by the Group of RMB708,054,000, which in aggregate lead to liquidity concern for the Group.

The reason for the net current liabilities was owing to the fact that the Group financed its certain capital expenditure and operations with short-term loans. The directors of the Group have taken/will take the following measures to ensure the Group has sufficient financial resources to meet its operation requirement for a reasonable period of time:

- (i) The Group maintained good long-term business relationship with major financial institutions, so as to ensure that it can obtain sufficient reserves of cash and adequate committed lines of funding from them to meet its liquidity requirement. At 1 August 2016, the unutilised banking facilities of the Group amounted to RMB2,067,713,000.
- (ii) With the commencement of operations of the new waste-to-energy projects in the near future, the directors foresee that the Group will generate sufficient operating cash inflow to meet its liquidity requirement.

In view of the above, the directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the forthcoming future, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months from 30 June 2016 and the Group’s preparation of financial information on a going concern assumption is reasonable.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group.

- *Annual Improvements to IFRSs 2012–2014 Cycle*
- *Amendments to IAS 1: Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. 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 REVENUE

The Group is principally engaged in the waste-to-energy project construction and operation services.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Income from waste-to-energy project construction services	550,587	398,586
Income from waste-to-energy project operation services	210,987	186,237
Finance income	70,393	66,727
	<u>831,967</u>	<u>651,550</u>

The Group has transactions with the PRC local government authorities and power grid companies which in aggregate exceeded 10% of the Group's revenue. Income 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 the six months ended 30 June 2016 amounted to RMB823,832,000 (six months ended 30 June 2015: RMB651,550,000).

5 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Other revenue		
Interest income	1,291	3,999
Government grants (i)	1,587	1,546
Value-added tax refund (ii)	32,690	5,482
Others	<u>243</u>	<u>408</u>
	<u>35,811</u>	<u>11,435</u>
Other net (loss)/income		
Net foreign exchange (loss)/gain	(418)	341
Net loss on sales of other property, plant and equipment	<u>(14)</u>	<u>—</u>
	<u>(432)</u>	<u>341</u>

(i) The government grants (unconditional) of the Group were recognised as income when received.

(ii) Value-added tax refund represented the tax exemption granted by local tax bureaus, and 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	
	2016	2015
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank and entrusted loans	50,652	53,270
Other interest expenses	<u>11,748</u>	<u>10,713</u>
	62,400	63,983
Less: interest expense capitalised into intangible assets*	<u>(9,892)</u>	<u>(1,473)</u>
	<u>52,508</u>	<u>62,510</u>

* The borrowing costs have been capitalised at rates of 4.90%–6.15% during the six months ended 30 June 2016 (six months ended 30 June 2015: 5.65%–6.15%).

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
(b) Staff costs			
Contributions to defined contribution retirement plans		6,546	4,283
Salaries, wages and other benefits		<u>65,165</u>	<u>50,132</u>
		<u>71,711</u>	<u>54,415</u>
(c) Other items			
Cost of construction service*		452,651	315,212
Operating lease charges		2,069	2,026
Amortisation		32,049	29,358
Depreciation		1,326	1,044
Impairment losses of intangible assets		—	16,690
Reversal of impairment loss on trade and other receivables		<u>(437)</u>	<u>—</u>

* Cost of construction service include RMB17,401,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB12,548,000) 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	
		2016	2015
		RMB'000	RMB'000
Current tax			
Provision for PRC income tax for the period		25,389	22,158
Under-provision in respect of prior year		678	657
PRC income tax refund		<u>(4,741)</u>	<u>—</u>
		21,326	22,815
Deferred tax			
Origination and reversal of temporary differences		<u>14,147</u>	<u>14,568</u>
Income tax expense		<u>35,473</u>	<u>37,383</u>

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 2015 and 2016, certain PRC subsidiaries are subject to tax concessions under the relevant tax rules and regulations.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB165,606,000 (six months ended 30 June 2015: RMB110,392,000) and the weighted average number of 1,045,000,000 ordinary shares in issue for the six months ended 30 June 2016 (six months ended 30 June 2015: 1,045,000,000).

(b) Diluted earnings per share

The Company did not have any potential dilutive shares during the six months ended 30 June 2015 and 2016. Accordingly, diluted earnings per share is the same as basic earnings per share.

9 INTANGIBLE ASSETS

	Computer software RMB'000	Waste-to-energy project operating rights RMB'000	Construction license RMB'000	Total RMB'000
Cost:				
At 31 December 2015 and 1 January 2016	619	2,194,982	6,529	2,202,130
Additions	51	384,595	—	384,646
Exchange adjustments	—	950	—	950
	<u>—</u>	<u>950</u>	<u>—</u>	<u>950</u>
At 30 June 2016	670	2,580,527	6,529	2,587,726
Accumulated amortisation and impairment loss:				
At 31 December 2015 and 1 January 2016	217	246,712	6,529	253,458
Charge for the period	26	32,023	—	32,049
Exchange adjustments	—	735	—	735
	<u>—</u>	<u>735</u>	<u>—</u>	<u>735</u>
At 30 June 2016	243	279,470	6,529	286,242
Net book value:				
At 31 December 2015	402	1,948,270	—	1,948,672
At 30 June 2016	427	2,301,057	—	2,301,484

The cost of waste-to-energy project 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 23 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 Group assesses the recoverable amount of each operating right at the end of each period.

For those waste-to-energy projects which have commenced operation, the Group assesses the recoverable amount of each operating right when there is an impairment indication. At 30 June 2016, the recoverable amounts of the operating right are estimated to be higher than the carrying amount, and no impairment is required (2015: RMB16,691,000).

The recoverable amounts of each operating right are determined based on value-in-use calculations. The Group assessed the recoverable amounts of calculations use cash flow projections based on financial budgets covering each specific operating period. The cash flows are discounted using a discount rate of 5.71%–8.77% (31 December 2015: 5.81%–6.68%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operating rights.

Amortisation of intangible assets is included in “direct costs and operating expenses” in the consolidated statement of profit or loss and other 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 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	70,367	78,975
More than 1 month but within 3 months	44,029	25,303
More than 3 months but within 6 months	37,927	8,344
More than 6 months	<u>7,169</u>	<u>8,090</u>
Trade receivables net of allowance for doubtful debts and bills receivable	159,492	120,712
Prepayments for construction and operating rights	288,949	198,370
Other receivables, deposits and prepayments	<u>375,035</u>	<u>343,118</u>
	823,476	662,200
Less: Non-current portion		
— Other receivables	<u>(324,116)</u>	<u>(211,249)</u>
	<u><u>499,360</u></u>	<u><u>450,951</u></u>

Included in “Other receivables, deposits and prepayments” of the Group at 30 June 2016 were retention receivables of RMB75,413,000 (31 December 2015: RMB64,413,000), which were expected to be recovered after more than one year.

Included in “Other receivables, deposits and prepayments” and “Non-current portion — Other receivables” of the Group of RMB75,717,000 at 30 June 2016 (31 December 2015: RMB67,942,000), which represent the financial income receivables under BOT arrangements and are calculated based on gross amounts due from customers for contract work at interest rates ranging from 5.29% to 8.12% (2015: 6.61% to 8.12%). 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.

Included in “Other receivables, deposits and prepayments” and “Non-current portion — Other receivables” of the Group of RMB115,245,000 as at 30 June 2016 (31 December 2015: RMB122,030,000) were unsecured, interest-bearing at 0.74% per annum, due from an unrelated party and will be repaid by instalments until 2020.

Included in “Prepayments for construction and operating rights” and “Non-current portion — Other receivables” of the Group of RMB100,000,000 at 30 June 2016 (31 December 2015: nil), which represent the prepayments for acquisition of waste-to-energy project operating rights.

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

Trade receivables are due within 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. Allowances for doubtful debts of RMB92,000 in respect of the Group’s trade receivables were recognised at 30 June 2016 (31 December 2015: RMB706,000).

11 GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At 30 June 2016 RMB’000	At 31 December 2015 RMB’000
Contract costs incurred plus recognised profits less anticipated losses	2,098,273	1,922,210
Less: Progress billings	<u>(43,838)</u>	<u>(38,014)</u>
Net contract work	<u><u>2,054,435</u></u>	<u><u>1,884,196</u></u>
Representing:		
Gross amounts due from customers for contract work		
— Non-current	2,038,563	1,871,490
— Current	<u>15,872</u>	<u>12,706</u>
Total	<u><u>2,054,435</u></u>	<u><u>1,884,196</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, with operation periods varying from 23 years 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 5.29% to 8.12% per annum for the six months ended 30 June 2016 (six months ended 30 June 2015: 6.61% to 7.87%). 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 2016 RMB'000	At 31 December 2015 RMB'000
Cash at bank and in hand	<u>437,112</u>	<u>534,643</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 LOANS AND BORROWINGS

At 30 June 2016, the loans and borrowings were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	<u>884,564</u>	<u>352,314</u>
After 1 year but within 2 years	156,871	372,617
After 2 years but within 5 years	723,632	672,591
After 5 years	<u>500,056</u>	<u>501,135</u>
	<u>1,380,559</u>	<u>1,546,343</u>
	<u>2,265,123</u>	<u>1,898,657</u>

At 30 June 2016, the loans and borrowings were secured as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans		
— secured	824,444	752,724
— unsecured	<u>1,440,679</u>	<u>1,145,933</u>
	<u>2,265,123</u>	<u>1,898,657</u>

(a) Secured bank loans

Banking facilities of the Group amounting to RMB1,011,550,000 as at 30 June 2016 (31 December 2015: RMB1,154,536,000) were secured by certain receivables and operating rights in connection with the Group's service concession arrangements. Such banking facilities were utilised to the extent of RMB824,444,000 (31 December 2015: RMB752,724,000) and the relevant book value of secured assets amounted to RMB2,454,477,000 as at 30 June 2016 (31 December 2015: RMB2,245,471,000).

Apart from the above, the Company's investment in Rushan Dynagreen of RMB100,880,000 was pledged for the long-term bank loans borrowed by Rushan Dynagreen as at 31 December 2015.

(b) Unsecured bank loans

Unsecured banking facilities of the Group amounting to RMB622,990,000 as at 30 June 2016 (31 December 2015: RMB622,990,000) were guaranteed by an equity shareholder of the Group. Such banking facilities were granted for a period of 10 years, which would be due in December 2023. At 30 June 2016, such banking facilities were utilised to the extent of RMB622,990,000 (31 December 2015: RMB622,990,000) and letters of credit amounting to RMB18,000,000 were issued by the Company to guarantee the interests payment in respect of the loan drawn down under such banking facilities (31 December 2015: Nil).

(c) Fulfillment of covenants

Banking facilities of RMB622,990,000 as at 30 June 2016 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. The Group regularly monitors its compliance with these covenants. As at 30 June 2016, none of the covenants relating to drawn down facilities had been breached (31 December 2015: nil).

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 2016 RMB'000	At 31 December 2015 RMB'000
Due within 1 month or on demand	219,331	189,479
Due after 1 month but within 6 months	27,367	16,032
Due after 6 months but within 1 year	64,206	31,261
Due after 1 year	<u>337,392</u>	<u>336,382</u>
Total trade payables	648,296	573,154
Other payables and accruals	85,207	106,705
Dividends payable	31,457	—
Less: Non-current portion — trade payables	<u>(337,392)</u>	<u>(336,382)</u>
	<u>427,568</u>	<u>343,477</u>

Included in “Trade payables” and “Non-current portion — trade payables” RMB348,757,000 as at 30 June 2016 (31 December 2015: RMB346,072,000) were unsecured, interest-bearing ranging from 4.64% to 8.51% (31 December 2015: 4.64% to 8.51%) per annum, due to unrelated suppliers and will be repaid by instalments during the service concession period of the Group’s respective BOT arrangements, among which RMB337,392,000 (31 December 2015: RMB336,382,000) 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

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 2016 (six months ended 30 June 2015: 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	
	2016	2015
	RMB’000	RMB’000
Dividends in respect of the previous financial years, approved during the interim period ended 30 June 2016 (six months ended 30 June 2015: nil)	<u>31,350</u>	<u>—</u>

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Six months ended 30 June	
	2016	2015
	RMB’000	RMB’000
Interest paid to equity owners	1,172	—
Entrusted loan from an equity shareholder	100,000	—
Service fee to Changzhou Zhengyuan Environmental Protection Resources Utilization Co., Ltd. (“Changzhou Zhengyuan*”)	795	855
Management Service fee to Changzhou Zhengyuan	500	500
Collection of slag processing fee on behalf of Changzhou Zhengyuan	<u>1,250</u>	<u>1,413</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 2015 and 30 June 2016.

(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	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	2,148	2,868
Contributions to defined contribution retirement plans	<u>110</u>	<u>129</u>
Total	<u><u>2,258</u></u>	<u><u>2,997</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2016, China entered into the implementation period of the “13th Five-Year Plan”. In line with the development strategy of the “13th Five-Year Plan” and to resolve environmental issues in China, environmental protection remained the main theme of the work of the current Chinese government and an important subject relating to people’s livelihood. As a result, guided by policies and regulations and driven by market demand, the environmental protection industry continued to develop rapidly. The new Law on Prevention and Control of Atmospheric Pollution (《大氣污染法》) and the Action Plan for Soil Pollution Prevention and Control (《土壤污染防治行動計劃》), which came into force in 2016, provided new opportunities in exhaust control, soil remediation and waste incineration. The Implementing Proposals for the Three-Year Action of “Internet+” Green Ecology (《「互聯網+」綠色生態三年行動實施方案》) linked the environmental protection industry closely with the “Internet+” strategy, providing a new mindset in the regulatory regime and development of the environmental protection industry. The booming environmental protection industry also contributed to the strategy of “stabilization of growth, adjustments to structure, and improvement of people’s livelihood” and fitted well into the direction of “deepening the supply-side reform”.

As an important part of the environmental protection industry, the waste-to-energy sector continued its growing trend. A number of waste-to-energy plants planned and constructed under the “12th Five-Year Plan” for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (《「十二五」全國城鎮生活垃圾無害化處理設施建設規劃》) gradually commenced operation, pushing the sector’s overall treatment capacity to a new level. A number of new projects started the process of tendering and construction, and the proportion of projects located in the central and western China gradually increased, reflecting the new trend in this sector. However, as the economy and society continued to develop, the NIMBY (Not In My Back Yard) effect led to frequent incidents of mass protests against waste-to-energy plants, which also increased the difficulty of site selection of waste-to-energy plants.

In the first half of 2016, with the collaboration and hard work of all colleagues and staff, the Group made good achievements in all aspects. The Group’s A-share listing application was formally accepted for processing by the China Securities Regulatory Commission in June. With the electricity generation of the Huizhou Project and Jixian Project coming on stream, the Group had ten operating projects, placing the Group in a leading position of the industry. The Ninghe Project, Bengbu Project and Tongzhou Project commenced construction one after the other, and the projects that had been put into operation “maintained stable operation and met standard emission” while the volume of waste treatment and on-grid electricity achieved new record. There were also new achievements in technological innovation as internal management continued to improve.

In the first half of 2016, the Group achieved a revenue of approximately RMB831,967,000 (representing an increase of 28% as compared to the same period last year), profit before taxation of approximately RMB201,079,000 (representing an increase of 36% as compared to the same period last year), and profit for the period of approximately RMB165,606,000 (representing an increase of 50% as

compared to the same period last year). As at 30 June 2016, the total assets and total equity of the Group amounted to approximately RMB5,704,152,000 and approximately RMB2,546,666,000 respectively.

- (1) *Steady and safe operation of projects under operation, meeting environmental standards, treating an aggregate of 1.52 million tons of municipal solid waste and realizing 345 million kWh of on-grid electricity*

In the first half of 2016, the Group continued to adhere to “standardized management” as the focus of its operation management, working around the “safe, environmental friendly, civilized and effective” operational concept, while consistently raising the awareness of standardized and refined management of each operation project. Excellent results were achieved in the management of each project under operation as evidenced by the fact that the environmental standards of emissions were in full compliance with the new Standard for Pollution Control on Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》). The Group was also committed to developing new sources of income and cutting costs in order to enhance economic efficiency.

In the first half of 2016, the Group treated 1.52 million tons of municipal solid waste, representing an increase of 17% as compared to the same period in 2015. In the first half of 2016, the Group realized on-grid electricity of 345 million kWh, representing growth of 32% as compared to the same period in 2015.

- (2) *Huizhou Project and Jixian Project put into operation, construction work started for a number of new projects, projects under construction progressing steadily*

In the first half of 2016, the Group had six projects under construction, which progressed orderly. The Huizhou Project and Jixian Project were completed and put to trial operation in May 2016, therefore increasing the Group’s solid waste treatment capacity to 1,900 tons per day. As of 30 June 2016, the Jurong Project was almost completed while 28%, 4% and 5% of the construction works of the Ninghe Project, Bengbu Project and Tongzhou Project were completed, respectively.

- (3) *Success in procuring new projects, outstanding achievements in financing activities, encouraging progress in R&D*

With regard to project development, the Group leveraged its integrated competitive edges, proactively developed waste-to-energy projects, and for the first time entered the market in Jiangxi Province. In February 2016, the Group won the Yichun Project of a designed capacity of 1,400 tons per day. The Yichun Project has a total investment amount of approximately RMB630 million and a concessionary period of 30 years.

With regard to financing, the Group continued to expand its financing channels, strengthened its cooperation with various financial institutions, and actively obtained credit facilities from banks. Up to the date of this announcement, the Group obtained comprehensive credit facilities of more than RMB1,000 million and long-term facilities more than RMB1,400 million for various project companies.

With regard to technology research and development, taking on the experience of grate installation and commissioning of the Huizhou Project, design and drawings for a new generation 400-ton grate incinerator were completed according to the construction progress of the Bobai Project. Based on the experience and feedbacks from past projects, installation instruction manuals and construction information manuals of the 250-ton, 350-ton and 400-ton series of incinerators were compiled, allowing the Group to be technically prepared in subsequent project construction and in exporting its three-drive grate incinerators. The Group newly applied for utility model patent for the “detoxification system of combining deacidification with dedusting for flue gas generated from the incineration of municipal solid waste” (生活垃圾焚燒煙氣無害化組合脫酸除塵系統).

(4) Further optimizing internal control of the Group and various areas of internal management

In the first half of 2016, the Group further optimized its management and control system to ensure standardization of management and to consistently improve efficiency.

In respect of human resources, the Group actively explored recruitment channels and continued to build up its talent pool which had more than 400 talents. The Group also issued the Measures for Senior and Middle Management Personnel (《中高層管理人員管理辦法》), clearly defining the qualification, selection and appointment process of senior and mid-level management personnel. Management training was optimized and innovated, and the Company launched the training program for management candidates. Project performance appraisal methods were also improved and optimized.

As at 30 June 2016, the Group had a total of 1,217 staff members.

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

In respect of intellectual property rights, the Group continued to strengthen its protection for intellectual property rights. In the first half of 2016, one new patent application was made and one new patent was granted. Currently, the Group has six invention patents and sixteen utility model patents.

Business Outlook

Industry Prospect

2016 marks the first year of the “13th Five-Year Plan”. The 13th Five-Year Plan for National Economic and Social Development of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》) put forward the strategies of adhering to green development, improving environmental governance and accelerating urban waste facilities construction in order to

achieve full coverage and stable operation of urban waste treatment facilities and to increase waste incineration rate. The plan also aims at improving the countryside by implementing special projects for rural waste treatment in order to achieve a 90% solid waste treatment rate in administrative villages.

The National New-type Urbanization Plan (2014–2020) (《國家新型城鎮化規劃 (二零一四–二零二零年)》) suggests that, at present, China’s permanent resident population urbanization rate is 53.7%, while registered urban population urbanization rate (under the ‘hukou’ system) is only around 36%. Future urbanization will have the Chinese characteristics of “people-oriented, synchronized four modernizations, optimized planning, ecological civilization, and cultural heritage”. By 2020, permanent resident population urbanization rate will reach around 60%, and registered urban population urbanization rate will reach around 45%. With an increasing urbanization rate, the demand for urban waste treatment will steadily increase.

The new Standard for Pollution Control on Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》) was fully implemented from 1 January 2016, raising the emission standards of waste-to-energy plants. With the existing emission standards for waste-to-energy plants coming in line with the world’s advanced standards and the increasing awareness of the public, society’s misunderstanding on the waste-to-energy issues will gradually reduce and there will be less mass protest incidents.

Therefore, the “13th Five-Year” period will continue to be a period with significant opportunities for the development of the waste treatment industry, and waste-to-energy is the most effective approach to achieve reducing solid waste in a harmless way and turning it into useful resources. The industry has much room for development.

Prospects of the Company

Waste treatment industry has a huge market. The Group will leverage its own competitive advantages in talent, branding, technology and economies of scale to continue penetrating into the waste-to-energy sector, focusing on both China and international markets and making use of both domestic and foreign capital markets. The Group will enthusiastically explore and acquire new projects, achieve innovation in project construction and excellence in project operation, making the waste-to-energy business into a bigger and stronger industry and strengthening the Group’s leading position in the industry. Through effective corporate governance, the Group will enhance efficiency, improve internal control and build a sound foundation for development in order to realize excellent results to pay back the support of and trust from shareholders.

As a leader in the environmental protection industry, the Group will continue to uphold its core philosophy of “generating social benefits as the primary goal while economic efficiency serves as the basis”, working together with customers, suppliers, employees, community residents and other stakeholders in a win-win cooperation and contributing to social progress, economic growth and environmental governance.

Financial Review

Financial Position

For the first half of 2016, the Group achieved a revenue of approximately RMB831,967,000 and profit for the period of approximately RMB165,606,000. As at 30 June 2016, the total assets and the total liabilities of the Group amounted to approximately RMB5,704,152,000 and RMB3,157,486,000 respectively; and the total equity amounted to approximately RMB2,546,666,000. The gearing ratio (calculated as total liabilities over total assets) was approximately 55%, and the net asset value per share attributable to equity shareholders of the Company was approximately RMB2.44.

Administrative Expenses

For the first half of 2016, the administrative expenses of the Group amounted to approximately RMB44,351,000 (same period in 2015: RMB33,263,000), accounting for approximately 5.3% (same period in 2015: 5.1%) of the revenue of the Group. The increase in the administrative expenses over the same period in the previous year was mainly attributable to the increase in administrative expenses due to the addition of a new operation project in the second half of last year and the addition of two new operation projects in the first half of this year.

Finance Costs

For the first half of 2016, the finance costs for the current period amounted to approximately RMB52,508,000, representing a decrease of approximately RMB10,002,000 over the same period in the previous year, which was mainly attributable to the Central Bank's lowering of the interest rate for five times in 2015 and the significant decline of the borrowing rates as compared to the same period last year.

Income Tax

In the first half of 2016, the income tax of the Group amounted to approximately RMB35,473,000 (same period in 2015: RMB37,383,000), accounting for approximately 17.6% (same period in 2015: 25.3%) of the profit before taxation of the Group. The ratio of income tax to profit before taxation decreased mainly because the parent company in the Group and Wuhan Company received income tax refund for previous years to charge against the income tax expense for the period in the first half of 2016 while there was no such tax refund income in the same period in 2015 to lead the decrease in the effective tax rate, and two subsidiaries of the Group became eligible for preferential income tax treatment in the second half of 2015 and two subsidiaries became eligible for such preferential income tax treatment in the first half of 2016, thus leading to the decrease in the effective income tax rate of the Group.

Financial Resources and Liquidity

The Group adopts the prudent principle in cash and financial management to ensure proper risk control and reduction in costs of funds. It finances its operations primarily from cash flow generated internally and loans from principal banks. As of 30 June 2016, the Group had cash balance of approximately

RMB437,112,000, representing a decrease of RMB97,531,000 as compared to RMB534,643,000 at the end of 2015. The decrease in cash balance was mainly attributable to gradual application of funds for the construction of the projects of the Company. Currently, the Group's cash is denominated in either Renminbi, Hong Kong dollars or Euro.

Loans and Borrowings and Pledge of Assets

As of 30 June 2016, the Group has total outstanding borrowings of approximately RMB2,265,123,000, representing an increase of RMB366,466,000 as compared to RMB1,898,657,000 at the end of 2015. The borrowings included secured loans of RMB824,444,000 and unsecured loans of RMB1,440,679,000. The Group's borrowings were denominated in Renminbi and Hong Kong dollars. Most of the Group's borrowings were at floating rates. As of 30 June 2016, the Group had banking facilities in the amount of RMB3,549,078,000, of which RMB906,307,000 had not been utilized. The credit facilities had terms ranging from 1 year to 12 years. The Group currently does not have any interest rate hedging policies. However, the management team monitors the Group's interest rate risks and would consider other necessary actions when significant interest rate risks are anticipated.

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) were pledged under the credit facilities. The book value of the pledged receivables and operating rights amounted to approximately RMB2,454,477,000 as of 30 June 2016.

Contingent Liabilities

The Company has issued financial guarantees to banks in respect of the banking credit 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 of 31 December 2015 and 30 June 2016 under the guarantees was the facility drawn down by the subsidiaries of RMB870,809,000 and RMB993,804,000 respectively.

Commitments

As of 31 December 2015 and 30 June 2016, the Group's outstanding purchase commitments in relation to construction contracts which had not been provided for in the Group's interim financial statements were RMB302,297,000 and RMB708,054,000 respectively.

As of 31 December 2015 and 30 June 2016, the Group's outstanding commitments in relation to the capital contribution to the associates, Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. and Shenzhen Truvalue-Dynagreen Investment Partnership (limited partnership), which had not been provided for in the Group's interim financial statements were RMB284,000,000.

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

	As at 30 June 2016 <i>RMB'000</i>	As at 31 December 2015 <i>RMB'000</i>
Within 1 year	<u>2,479</u>	<u>1,445</u>

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 dollars. Apart from the above, most of the assets and transactions of the Group are denominated 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. The Group currently has no hedging policy with respect to the foreign exchange risks.

Significant Investments, Acquisitions and Disposals

For the six months ended 30 June 2016, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies.

Human Resources and Remuneration Policies

As at 30 June 2016, the Group had a total of 1,217 staff members.

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 operations 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 monitoring programs so as to nurture a pool of back-up personnel.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to 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. For the six months ended 30 June 2016 (the “**Reporting Period**”), the Company had 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. Currently, the Audit Committee of the Company comprises two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Ms. Chen Xin, and a non-executive Director, namely Mr. Ma Xiaopeng. Mr. Kwan Kai Cheong is the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include (but not limited to): (i) proposing appointment, reappointment 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, risk management 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.

During the Reporting Period, the Company had adopted the new working rules for the Audit Committee to reflect the expanded scope of terms of reference of the Audit Committee in response to the amendments in relation to risk management and internal control under the CG Code.

The Audit Committee had reviewed the accounting standards and practice adopted by the Group, and discussed the internal control and financial report matters, including the review of 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. Currently, the Remuneration Committee comprises two independent non-executive Directors, namely Ms. Chen Xin and Mr. Ou Yuezhou, and a non-executive Director, namely Mr. Guo Yitao. Ms. Chen Xin is 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 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 Director 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. Currently, the Nomination Committee comprises two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Ou Yuezhou, and a non-executive Director, namely Mr. Ma Xiaopeng. Mr. Ou Yuezhou is 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 reappointment 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**”). Currently, the Strategy Committee comprises three non-executive Directors, namely Mr. Zhi Jun, Mr. Guo Yitao and Mr. Liu Shuguang, an executive Director, namely Mr. Qiao Dewei, and an independent non-executive Director, namely Mr. Ou Yuezhou. Mr. Zhi Jun is 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 the Company; and (iii) researching and recommending on significant matters relating to the development of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, 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, SUPERVISORS AND EMPLOYEES

The Company has adopted Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel (the “**Management Measures**”) on terms no less stringent 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 has made specific inquiries to all of the Directors and the Supervisors on whether they complied with the Management Measures during the Reporting Period, and all of the Directors and the Supervisors have confirmed that they all complied with the Management Measures.

The Company has established into Employees Written Guidance (the “**Employees Written Guidance**”) for its employees who may hold unpublished internal information in relation to dealing in securities with terms no less favorable than the Model Code. The Company was not aware of any matters in relation to the breaches of the Employees Written Guidance by any employee during the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SHARES OF THE COMPANY

During the Reporting Period, there was 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.

As of the date of this announcement, HK\$1,126 million had been utilized for the purpose stated on the ordinary resolution in relation to change of use of proceeds passed at the second extraordinary general meeting in 2014 held on 7 November 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company had maintained a public float as required under the Listing Rules during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

The Company does not have any other events after the Reporting Period.

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

This results announcement has been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.dynagreen.com.cn). The interim report of the Company for the six months ended 30 June 2016 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 2016.

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

Shenzhen, the PRC
19 August 2016

As at the date of this announcement, the non-executive Directors are Mr. Zhi Jun, Mr. Guo Yitao, Mr. Liu Shuguang and Mr. Ma Xiaopeng, the executive Directors are Mr. Qiao Dewei and Mr. Hu Shengyong and the independent non-executive Directors are Ms. Chen Xin, Mr. Kwan Kai Cheong and Mr. Ou Yuezhou.

** For identification purposes only*