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綠色動力
DYNAGREEN

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 IN RELATION TO THE CHANGE IN ACCOUNTING POLICY

This announcement is made by Dynagreen Environmental Protection Group Co., Ltd.* (the “**Company**”, together with its subsidiaries, the “**Group**”) in Mainland China pursuant to the requirements under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and in Hong Kong pursuant to Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Inside Information Provisions (as defined under the Hong Kong Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Important Notice:

1. The Resolution on Change in the Accounting Policy in respect of the Recognition of Tariff Revenue was considered and approved at the third meeting of the third session of the board of directors of the Company (the “**Board**”), pursuant to which, the Company’s change in the accounting policy for the recognition of tariff revenue from the national renewable energy subsidies (the “**Change in Accounting Policy**”) was approved and will be implemented from 1 January 2019.
2. According to the preliminary estimates based on available information, the impacts of the change in the accounting policy on the major accounting items are as follows: operating income for 2017 and prior years increased by RMB57,428,400; net profit for 2017 and prior years increased by RMB50,702,800; shareholders’ equity as at 31 December 2017 increased by RMB50,702,800; operating income for January to September 2018 increased by RMB43,287,600; net profit for January to September 2018 increased by RMB28,715,200; shareholders’ equity as at 30 September 2018 increased by RMB79,418,000.

I. SUMMARY OF THE CHANGE IN ACCOUNTING POLICY

In order to reflect the Company's revenue and profit in a more objective and fair manner, and to allow the management and investors of the Company to be timely informed of the Company's financial position, the Company resolved to change the accounting policy for the recognition of tariff revenue from the national renewable energy subsidies, which has been considered and approved at the third meeting of the third session of the Board. The Change in Accounting Policy is not required to be submitted to a general meeting of the Company for consideration. The details are as follows:

1. Date of implementation

The revised accounting policy shall be implemented by the Company from 1 January 2019.

2. Details of the change

According to the Notice on Improving the Pricing Policy of Waste Incineration Power Generation from the NDRC (Fa Gai Jia Ge [2012] No. 801) (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》(發改價格[2012]801號)), for waste-to-energy projects using municipal waste as raw materials, the portion not exceeding on-grid electricity of 280 kWh per ton of municipal waste implements a national waste-to-energy benchmark price of RMB0.65 per kWh (inclusive of tax). The remaining portion of on-grid electricity implements the on-grid tariff for the local coal-fired generating units. According to the Notice on Improving the Pricing Policy of Power Generation from Agricultural and Forestry Biomass from the NDRC (Fa Gai Jia Ge [2010] No. 1579) (《國家發改委關於完善農林生物質發電價格政策的通知》(發改價格[2010]1579號)), the on-grid tariff for straw-to-energy projects implements a national on-grid benchmark tariff for power generation projects using agricultural waste and forestry residue, being RMB0.75 per kWh (inclusive of tax). The on-grid benchmark tariff of municipal waste-to-energy projects comprises base tariff, provincial subsidies and national subsidies. Base tariff is the on-grid benchmark tariff of local desulfurization coal-fired units, while the portion of waste-to-energy benchmark price exceeding on-grid benchmark tariff of local desulfurization coal-fired units is subject to two-tier sharing. Of which, the local provincial power grid bears at a rate of RMB0.1 per kWh, being the "provincial subsidies"; while the remaining portion is included in the nationally collected additional subsidies for renewable energy tariff, being the "national subsidies". The benchmark tariff for straw-to-energy projects only comprises base tariff and national subsidies. According to the Notice on Publishing of the Interim Measures for Administration of Additional Subsidies for Tariff of Renewable Energy from the Ministry of Finance, the NDRC and the National Energy Administration (Cai Jian [2012] No.102) (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加補助資金管理暫行辦法〉的通知》(財建[2012]102號)), the Ministry of Finance regularly issues the notice of application for the inclusion of national renewable energy projects in the national subsidy catalogue based on the timing of grid-connected power

generation, and includes the qualified and approved projects into the national subsidy catalogue. The national subsidies for renewable energy projects will only be granted following the inclusion of the project in such catalogue.

The Company's current accounting policy for the recognition of tariff revenue from the national renewable energy subsidies is to recognize the same upon inclusion in the national subsidy catalogue and after the right of control of relevant commodities is transferred to the competent electricity authorities, and one-off recognition for all national renewable energy subsidies received since the commencement of operation of the project.

The Company proposes to change the accounting policy for the recognition of tariff revenue from the national renewable energy subsidies to: recognition of tariff revenue from the national renewable energy subsidies since the date of commencement of operation of the project, with the grid-connected power generation approved by the competent electricity authorities, and after the right of control of relevant commodities was transferred to the competent electricity authorities.

3. Reason for the change

(1) Some of the Company's projects are yet to be included in the national subsidy catalogue due to the timing of their connection to the power grid being later than that required in the notices of application. There is no substantial barrier for these projects to be included in the catalogue in future. In the previous notices of application for the national subsidy catalogue issued by the Ministry of Finance, the acceptance requirements for projects yet to be included in the national subsidy catalogue primarily include, among others, the approval of or filing at the NDRC and the timing of grid-connected power generation. As at the end of September 2018, projects for which the Company has commenced operation but have not been included in the national subsidy catalogue are Jixian project, Jurong project, Ninghe straw project, Ninghe waste-to-energy project, Bengbu project and Tongzhou project. The above projects were qualified "to be approved by the NDRC in 2006 and subsequent years" but they were not included in the national subsidy catalogue as their connection to the power grid were later than the timing requirements of grid-connected power generation of the latest batch of national subsidy catalogues (the seventh batch) (connection to the power grid before the end of March 2016). There is no substantial barrier for these projects to be included in the catalogue in future.

- (2) The current recognition policy for tariff revenue from the national renewable energy subsidies is unable to reasonably reflect the Company's revenue and profit. Moreover, the one-off recognition of all renewable energy subsidy revenue following the inclusion into the national subsidy catalogue may lead to a significant fluctuation in the revenue and profit for the relevant period.

Therefore, the revised accounting policy is more reasonable.

II. IMPACTS OF THE CHANGE IN ACCOUNTING POLICY ON THE COMPANY

The revised accounting policy will be implemented retrospectively. The impacts of the change in the accounting policy on the major accounting items are as follows:

Operating income for 2017 and prior years increased by RMB57,428,400; net profit for 2017 and prior years increased by RMB50,702,800; shareholders' equity as at 31 December 2017 increased by RMB50,702,800; total assets as at 31 December 2017 increased by RMB54,389,600; operating income for January to September 2018 increased by RMB43,287,600; net profit for January to September 2018 increased by RMB28,715,200; shareholders' equity as at 30 September 2018 increased by RMB79,418,000, total assets as at 30 September 2018 increased by RMB87,199,300.

III. EXPLANATION OF THE BOARD ON THE RATIONALITY OF THE CHANGE IN ACCOUNTING POLICY

The Board is of the view that the change in the accounting policy for the tariff revenue from the national renewable energy subsidies enables a more reasonable reflection of the Company's revenue and profit while avoiding significant fluctuations in the revenue and profit for the relevant period due to one-off recognition of all renewable energy subsidy revenue following the inclusion into the national subsidy catalogue. Therefore, the Company's adoption of the revised accounting policy for the tariff revenue from the national renewable energy subsidies is reasonable.

For the above reasons, the Board approves the change in the accounting policy for the tariff revenue from the national renewable energy subsidies.

IV. OPINION OF THE INDEPENDENT DIRECTORS

Pursuant to the Company Law of the People's Republic of China, the Guiding Opinion on the Establishment of Independent Director Systems by Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Articles of Association, the Working Rules for Independent Directors of Dynagreen Environmental Protection Group Co., Ltd. and other requirements, we, as the independent directors of the Company, have reviewed the Resolution on Change in the Accounting Policy in respect of the Recognition of Tariff Revenue submitted to the Board for consideration, and hereby give the following independent opinions:

1. The Company's change in the accounting policy enables it to reflect the Company's financial position and operating results in a more objective and fair manner, and is in line with the interests of the Company and all shareholders.
2. The decision-making procedure for the Change in Accounting Policy of the Company is in compliance with the relevant laws and regulations, the Articles of Association and other requirements, without prejudice to the interests of the Company and the shareholders, especially those of the minority shareholders.

V. OPINION OF THE SUPERVISORY COMMITTEE

The Resolution on Change in the Accounting Policy in respect of the Recognition of Tariff Revenue was considered and approved at the third meeting of the third session of the supervisory committee of the Company held on 14 November 2018:

1. The Company's change in accounting policy for the recognition of tariff revenue from the national renewable energy subsidies is approved.
2. The date of application of the revised accounting policy is 1 January 2019.
3. The supervisory committee of the Company is of the view that the Company's change in the accounting policy enables it to reflect the Company's financial position and operating results in a more objective and fair manner. The decision-making procedure is in compliance with the relevant laws and regulations, the Articles of Association and other requirements, and is in line with the interests of the Company and all shareholders.

VI. OPINION OF THE ACCOUNTING FIRM

The opinion of KPMG Huazhen LLP on the change in accounting policy is as follows: based on the procedures performed and the relevant evidence obtained by us, we are not aware of any incompliance, with respect to the Company's change in accounting policy, with the Accounting Standards for Business Enterprises in all material aspects.

This announcement is published on the website of the Company (<http://www.dynagreen.com.cn/en/index.asp>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for viewing.

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

Shenzhen, the PRC
14 November 2018

As at the date of this announcement, the non-executive Directors of the Company are Mr. Zhi Jun, Mr. Liu Shuguang, Mr. Cheng Sunning and Mr. Cao Jinjun, the executive Directors of the Company are Mr. Qiao Dewei and Mr. Hu Shengyong and the independent non-executive Directors of the Company are Mr. Ou Yuezhou, Ms. Fu Jie and Mr. Xie Lanjun.

* *For identification purposes only*