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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 EXTERNAL INVESTMENT AND  
ENTERING INTO CONCESSION AGREEMENT**

**1. SUMMARY OF THE EXTERNAL INVESTMENT**

As stated in the announcement dated 7 May 2018 published by Dynagreen Environmental Protection Group Co., Ltd.\* (the “Company”) on the website of the Hong Kong Stock Exchange, the Company was confirmed as the successful bidder for the waste-to-energy power generation Build-Operate-Transfer (BOT) project in Dengfeng City, Henan Province. On 3 July 2018, the Company and Dengfeng Municipal Housing and Urban-Rural Development Bureau\* (登封市住房和城鄉建設局) entered into the formal Dengfeng Domestic Waste-to Energy Power Generation BOT Project Concession Agreement (the “Concession Agreement”), pursuant to which Dengfeng Municipal Housing and Urban-Rural Development Bureau has permitted the Company to invest in, design, construct and operate domestic waste treatment facilities and dispose of domestic waste by way of waste-to-energy in the entire municipal area of Dengfeng. The total investment for this project is approximately RMB550 million, of which approximately RMB375 million will be invested in the first phase.

No general meeting of the Company is required to be held for this external investment, and in accordance with the Decision-making Mechanism for Daily Operation of the Company, this investment will be only subject to filing with the board of director. This external investment does not constitute a connected transaction or significant asset restructuring of the Company.

**2. INFORMATION ON THE PARTIES TO THE CONCESSION AGREEMENT**

(1) Party A: Dengfeng Municipal Housing and Urban-Rural Development Bureau; legal representative: Yuan Tengfei; address: 93 Shoujing Road, Dengfeng, Henan Province.

- (2) Party B: Dynagreen Environmental Protection Group Co., Ltd.; legal representative: Zhi Jun; address: 2nd Floor, Jiuzhou Electronic Building, 007 Keji South 12th Street, Nanshan District, Shenzhen; business scope: technology development for waste incineration and other environmental protection related industries, the designing and development of related equipment and system integration; provision of management services and technical support in respect of the construction and operation of waste treatment projects and related technology consultancy services, and for operations subject to licenses or certain qualifications, relevant regulations and requirements have been complied with.

### **3. INFORMATION ON THE INVESTMENT SUBJECT**

The Company adopts the BOT model for the development and operation of the domestic waste-to-energy project in Dengfeng with a concessionary period of 30 years commencing from the effective date of the Concession Agreement, of which the construction period is 2 years and the commercial operation period is 28 years. The design domestic treatment capability of this project is 1,050 tonnes/day, where 700 tonnes/day for the first phase and 350 tonnes/day for the second phase and the key technology is mechanical grate furnace. This project is located in Gaocheng Town, Dengfeng and the total site area is initially determined to be 138 mu.

The Company will establish a project company to conduct the investment, financing, construction and operation of the project. Further announcement will be made in respect of the proposed establishment of project company after being approved by the board of directors.

### **4. MAIN CONTENTS OF THE CONCESSION CONTRACT**

- (1) Overview: Party B shall establish a project company in Dengfeng City, and construct and operate the waste-to-energy power generation project in Dengfeng City by means of the BOT model according to law. The contractual rights and obligations of Party B in respect of the project will be transferred to the project company unconditionally after Party B establishes such project company in Dengfeng City. The project company and Party A shall, within one month after the project company obtains the business license, enter into a concession contract the rights and obligations of which are entirely the same with this contract.
- (2) Total investment and construction scale of the project: Total investment of the project is approximately RMB550 million, among which approximately RMB375 million will be allocated in the first phase. Mainly adopting the mechanical grate waste incineration technology, the project has a total daily capacity of 1,050 tonnes/day, with the first phase and the second phase each having a capacity of 700 tonnes/day and 350 tonnes/day respectively.
- (3) Scope and duration of the concession: Pursuant to agreements in this contract, Party A shall grant Party B the right to invest, design, construct and operate waste treatment project and dispose of the waste by means of incineration and power generation in all areas under the administration of Party

A. In the event that waste in cities and counties near Dengfeng City is transported to the project for disposal, Party B has the right to dispose in accordance with national disposal standards, but it may not charge Party A for additional waste disposal fees.

Unless modified pursuant to the contract, the concession period of the project is 30 years effective from the date when this contract comes into effect, among which 2 years are the construction period and 28 years are for commercial operation of the project.

- (4) Exclusivity of the concession: the concession granted to Party B by Party A shall be preferentially exclusive in all areas of Dengfeng City and Party A shall not grant any part of the concession under this contract to any other third party.
- (5) Rights and obligations of Party A: Party A or its designated entity has the right to supervise the construction project based on the construction progress of the project, and to conduct reasonable inspection at any time provided that the construction progress will not be affected. Party A has the right to supervise and inspect the operation and maintenance of the waste-to-energy power generation plant.

Major responsibilities of Party A include: coordinating and procuring the preparatory work (including access to water, electricity, road, communication, and gas as well as land formation) before construction of the project; coordinating and promoting all matters related to competent authorities during implementation of the project; assisting Party B in obtaining all necessary approvals and permits for performance of this contract; being responsible for coordinating the work in respect of power transmission and distribution lines and ancillary facilities outside the plant; providing acceptable waste and paying waste disposal fees pursuant to the contract.

- (6) Rights and obligations of Party B: Party B is responsible for the investment, design, construction, operation and maintenance of the waste-to-energy power generation plant. Unless otherwise stipulated by law or specified in this contract, costs and risks shall be borne by Party B. Party B undertakes to operate the waste-to-energy power generation plant in accordance with prudent construction and operation practices, so that the plant can operate soundly and incinerate waste safely, stably and harmlessly in line with operating parameters and relevant national environmental protection standards. RMB10,000,000 (RMB ten million) is paid to Party A as performance bond.

During the concession period, Party B has the land use right of the waste-to-energy power generation plant and is entitled to the ownership of all facilities and equipment there. It has the right to operate the waste-to-energy power generation plant and to charge waste disposal fee.

- (7) Transportation of waste: Party A or its designated entity shall provide Party B with acceptable waste in line with the daily waste disposal amount specified in this contract and shall be responsible for the transportation of waste to the plant of the project. The transportation fee shall be borne by Party A or its designated entity.

- (8) Waste disposal service fee: The waste disposal fee of the project is RMB53.00/tonne. In the case that the national mandatory standards are revised, Party B must implement accordingly and the corresponding difference arising from additional investment and operation cost incurred by Party B shall be compensated for by Party A to Party B in accordance with the waste disposal fee standard as specified in the foregoing terms.

In the event that the average of the Consumer Price Index (CPI) and the Producer Price Index (PPI) (of Henan Province) for the previous year announced by the (Dengfeng Municipal) Bureau of Statistics increases or decreases by more than 3%, the standard of the waste disposal fees for the year shall be adjusted based on the price of the previous year, effective from January 1 of the year. Otherwise, no adjustment shall be made in respect of the standard of the waste disposal fee for the year. Provided that the accumulated average of the price indexes of the previous years and the current year increase or decrease by over 3%, adjustment shall be made to the standard of the waste disposal fee for the year, effective from January 1 of the year.

- (9) Dispute resolution: In the event that a dispute arises in the performance of this contract, both Parties shall settle the controversy through negotiation. If negotiation fails, the dispute shall be submitted to the Zhengzhou Arbitration Commission for arbitration and both Parties shall submit to the jurisdiction of the court in the district where the project is located.

- (10) Others: This Agreement shall come into effect after it is signed and sealed by both Parties.

## **5. IMPACT OF THE EXTERNAL INVESTMENT ON THE COMPANY**

The external investment will expand the waste-to-energy power generation business of the Company and facilitate its operating income growth. Implementation of the project does not affect the independence of the Company's business and will not lead to related-party transactions, horizontal competition or business reliance in the main business of the Company. The project will not have a significant impact on the 2018 annual operating results of the Company, but implementation of the project will underpin the future business development and performance growth of the Company.

## 6. ANALYSIS ON RISKS OF THE EXTERNAL INVESTMENT

During the preparatory period and construction period of the project, there are risks related to delay in project approval and construction as well as failing to implement the project in accordance with schedules due to various uncertain factors; during the operation of the project, there are risks related to insufficient supply of waste, low heating value and changes in national industrial policies and taxation policies.

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

Shenzhen, China  
5 July 2018

*As at the date of this announcement, the non-executive Directors of the Company are Mr. Zhi Jun, Mr. Guo Yitao, Mr. Liu Shuguang and Mr. Feng Changzheng, the executive Directors of the Company are Mr. Qiao Dewei and Mr. Hu Shengyong and the independent non-executive Directors of the Company are Ms. Chen Xin, Mr. Ou Yuezhou and Ms. Fu Jie.*

\* *For identification purposes only*