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DYNAGREEN ENVIRONMENTAL PROTECTION GROUP COMPANY LTD: A PERFECT OPPORTUNITY FOR PATRIOTS TO SHOW THEIR LOVE OF COUNTRY

Had Dynagreen Environmental Protection Group Company Ltd () (Code: 1330, Main Board, The Stock Exchange of Hongkong Ltd) not been a corporate entity, completely controlled by the Government of the People's Republic of China (PRC), the opinion of **TARGET** () about this **I**nitial **P**ublic **O**ffering (**IPO**) might have been vastly different.

As it is, this medium is totally unimpressed with this Company.

Having studied the Global Offering Prospectus of this **W**aste-**T**o-**E**nergy (**WTE**) company, it is exceedingly onerous to continue to be endowed with an expected value that is equal to a population parameter about this candidate company for a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC.

This is the first time in this medium's 43-plus years of writing about publicly listed companies of the HKSAR that it has been confronted with a company that has the ability to be controlled by complaint – from a miniscule portion of the general public of the PRC.

At Page 35 of the Global Offering Prospectus, it is stated, inter alia:

> '*Negative public perceptions, stemming from concerns about the environmental impact of WTE projects, have adversely impacted the development of the WTE industry in the PRC since 2009 and a number of WTE projects were halted due to public protests. Most recently, in May 2014, local residents protested against a proposed waste treatment plant in Hangzhou City, Zhejiang Province. In response to the protests, the local government announced that there would be no further work on the waste treatment plant until the public had been consulted over the scheme. Public perception of WTE projects and opposition by local residents against the construction of waste treatment facilities located near their residence* (sic) *may delay the awarding of WTE projects which have been awarded to us* (Dynagreen Environmental) *or which may be awarded to us in the future …*'.

Then, there is the matter as to the party that is to be held responsible for the affairs of this publicly listed company – when it only has one Executive Director who is a paid employee of the PRC Government and, as such, owes a duty of fidelity, first and foremost, to his master.

The IPO

The Global Offering Prospectus, dated June 9, 2014, states that Dynagreen Environmental is Offering 300 million, one renminbi '*H*' Shares at the Indicative Offer Price Per Share, ranging from a low of $HK3.00 to a high of $HK3.70.

At the midpoint of the Indicative Offer Price Per Share, being $HK3.35, Management estimates that it should be able to net about $HK914.10 million from this cash-raising exercise.

That amount of money will be utilised for the following purposes, one is told:

- $HK685.60 million, representing 75 percent of the net proceeds, to continue to develop its WTE business in the PRC, proper, being distinct and separate from the HKSAR, *'through repayment of debt upon Listing (such debt, comprising RMB106.4 million in bank loans obtained by the Rushan Company* (Rushan Dynagreen Renewable Energy Company Ltd []), *RMB254.7 million in bank loans obtained by the Wuhan Company* (Wuhan Dynagreen Renewable Energy Company Ltd []) *and RMB184.5 million in bank loans obtained by Taizhou Company* (Taizhou Dynagreen Renewable Energy Company Ltd []), *was incurred to finance project construction and carries interest rate ranging from about 6.55% to 7.21% per annum as of December 31, 2013 and maturity ranging from seven to 10 years from the Latest Practicable Date* [May 31, 2014]*).*
- $HK91.40 million, representing 10 percent of the net proceeds, to develop the Company's offshore business;
- $HK45.70 million, representing five percent of the net proceeds, to be used to finance research and development of waste incineration technology; and,
- $HK9.40 million, representing 10 percent of the net proceeds, to be tipped into the Working Capital Account.

In short, the lion's share of net proceeds of this IPO – that is 75 percent – will be to reduce the Company's very substantial indebtedness burden.

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