

30-year "Engagement" between Tus-sound and Weishi County

- Introduction to the Case on Private Partner Participating in a PPP Demonstration Project

(21-JUN-2016)

I. Introduction to Private Partner

Tus-sound Environmental Resources Co., Ltd. (hereinafter referred to as "Tus-sound") is the selected private partner of the "project of power generation by burning household garbage of Weishi County, Kaifeng, Henan", a PPP demonstration project of the Ministry of Finance. Tus-sound is a large group with a whole hi-tech industrial chain professionally engaged in environmental protection, and the investment, consulting, engineering design, engineering construction, operation and management in environment and environmental sanitation fields, R&D and manufacture of environmental protection equipment and so on, is a large environmental protection company listed on the Shenzhen Stock Exchange with A shares, records total assets worth over RMB30 billion, and is one of the environmental protection enterprises with the most assets and involved in most industries in the environmental protection sector in China. Since the establishment, Tus-sound has been brave to undertake environmental liabilities, has been dedicated to advancing the industrialization and marketization of environmental protection, and has invested in and constructed over 80 franchise projects nationwide, including the household garbage treatment plant, integration of environmental sanitation, municipal sludge treatment and disposal plant (compost, desiccation and burning), water works and sewage treatment plant.

II. Experience regarding Private Partner's Involvement

Tus-sound has been paying close attention to the determination of the state to promote the PPP projects and capital value-added benefits of enterprises in participating in the PPP projects, and has been actively participating in various PPP projects of BOT, BOO, ROT, TOT, etc. from the very beginning,

therefore accumulating rich experience. In the course of projects, the reasonable determination of boundaries is the premise for an enterprise to make profits and conduct effective management. Boundaries are very clear for environmental protection projects, especially projects of power generation by garbage. Government leaders have provided great supports in the whole process of the project, and Tus-sound has great financing capacity, so the project progresses smoothly. Subsequently, operation will be emphasized.

III. Implications for Private Partner

PPP, as an important market method supporting the reform of the structural supply side of the state, plays an immeasurable role in the adjustment to and stability of economic structure. The market-oriented reform of public welfare undertakings is also a new economic form of the state. Only when an enterprise actively participates in the reform can it get a larger market space. In the field of garbage disposal, Tus-sound has made active explorations and conclusions for modes similar to PPP nationwide. Certainly, as a new commercial mode, PPP is unfamiliar to us. Especially, concerns of private enterprises about PPP are understandable. Demonstration projects of the Ministry of Finance play a guiding role in advancing the PPP projects. In the long run, the change of attitude of government towards private enterprises, the observation of contract spirit, sound legal environment of PPP projects and the settlement of financing problems of private enterprises are the key to the development of PPP projects too. Of course, Tus-sound has seen the determination and efforts of the state to promote PPP, and believes that the promulgation of PPP-related laws and regulations will provide further guarantee for private enterprises in respect of financing and legal environments; in selecting capital parties for the PPP projects, the state and government will provide private enterprises with more guarantees and opportunities. Meanwhile, it is hoped that government can promulgate relevant policies and specifications to prevent enterprises from probable risks at the time of government transition.

(Contributed by: Tus-sound Environmental Resources Co., Ltd.)

Schedule

Name of Private Partner (Enterprise)	Tus-sound Environmental Resources Co., Ltd.	Name of PPP Demonstration Project of the Ministry of Finance	PPP project of power generation by burning household garbage of Weishi County, Henan
Registered Capital	RMB846 million	Location of Demonstration Project	Weishi County, Kaifeng, Henan
Mode of Government Procurement	Competitive consultation	Signing Date for Contract on Demonstration Project	April 23, 2015

Name of Project Company	Weishi County Yuqing Environmental Protection Co., Ltd.	Term of Cooperation for Demonstration Project	30 years
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