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Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1272)

**CONNECTED TRANSACTIONS
CAPITAL INCREASE TO DATANG OVERSEAS TECHNOLOGY**

SUMMARY

On 25 May 2020, the Company entered into the Capital Increase Agreement with Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation, Datang Anhui Power Generation and Datang Overseas Technology, pursuant to which the Company and current shareholders of Datang Overseas Technology will subscribe for the newly registered capital of Datang Overseas Technology by way of cash at their respective shareholding ratio. The Company will pay Datang Overseas Technology at a consideration of RMB20 million with proprietary capital for the Capital Increase. Upon completion of the Capital Increase, the registered capital of Datang Overseas Technology will increase to RMB250 million and the shareholding ratio of the Company in Datang Overseas Technology will remain at 10%.

China Datang directly held 78.17% equity interest of the Company, and indirectly held 0.79% equity interest of the Company through its wholly-owned subsidiary Datang Capital. Meanwhile, China Datang held 100% equity interest of Datang Overseas Holdings, Datang Overseas Investment and Datang Shandong Power Generation. China Datang and its subsidiaries held a total of approximately 53.09% equity interest of Datang International Power Generation, and Datang International Power Generation held 100% equity interest of Datang Anhui Power Generation. Therefore, Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation and Datang Anhui Power Generation are associates of China Datang and connected persons of the Company. Pursuant to relevant requirements of the Hong Kong Listing Rules, the Capital Increase constitutes connected transactions of the Company, and is subject to relevant disclosure and/or independent Shareholders' approval requirements under the Hong Kong Listing Rules.

HONG KONG LISTING RULES IMPLICATIONS

With respect to the Capital Increase, given the scale of the subscription amount does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Capital Increase does not constitute a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules. The Capital Increase constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the scale of the Capital Increase exceeds 0.1% but does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, therefore, the Capital Increase is only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but is exempt from independent Shareholders' approval requirement.

Relationship between the Company and Current Shareholders of Datang Overseas Technology

The Company is a non-wholly-owned subsidiary of China Datang, and is the sole platform for the development of environmental protection and energy conservation business under China Datang. The principal business of the Company includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

China Datang is primarily engaged in the development, investment, construction, operation and management of power energy; organization of power (thermal) production and sales; manufacture, maintenance and commissioning of electric power equipment; power technology development and consultation; contracting and consulting of electric power engineering and environmental protection projects and development of renewable power.

As of the date of this announcement, to the knowledge of Directors, China Datang directly held 78.17% equity interest of the Company and indirectly held 0.79% equity interest of the Company through its wholly-owned subsidiary Datang Capital. Meanwhile, China Datang respectively held 100% equity interest of Datang Overseas Holdings, Datang Overseas Investment and Datang Shandong Power Generation. China Datang and its subsidiaries held a total of approximately 53.09% equity interest of Datang International Power Generation, and Datang International Power Generation held 100% equity interest of Datang Anhui Power Generation. In the Capital Increase, the current shareholders of the Company and Datang Overseas Technology will subscribe for the new registered capital of Datang Overseas Technology based on their respective shareholding ratio. Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation and Datang Anhui Power Generation are associates of China Datang and connected persons of the Company. Pursuant to relevant requirements of the Hong Kong Listing Rules, the Capital Increase constitutes connected transactions of the Company, and is subject to relevant disclosure and/or independent Shareholders' approval requirements under the Hong Kong Listing Rules.

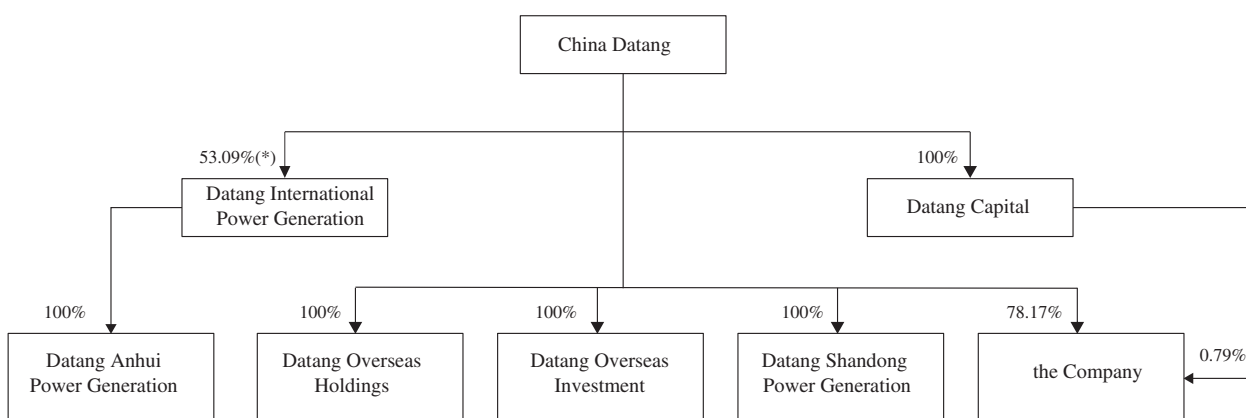
Datang Overseas Holdings, a wholly-owned subsidiary of China Datang and established on 26 December 2019 in accordance with the PRC laws with a registered capital of RMB8,500 million, is primarily engaged in the investment, development, construction and management of domestic and overseas power energy; manufacturing, maintenance and commissioning of electric power equipment; development and consultation of power energy technologies; contracting and consultation of electric power engineering and environmental protection projects; import and export business, asset management and other business.

Datang Overseas Investment, a wholly-owned subsidiary of China Datang and established on 23 August 2007 in accordance with the PRC laws with a registered capital of RMB6,434.7755 million, is primarily engaged in the investment, construction and operation of overseas energy projects, operation maintenance, general engineering contracting, international trade, technological service and other business.

Datang Shandong Power Generation, a wholly-owned subsidiary of China Datang and established on 9 January 2009 in accordance with the PRC laws with a registered capital of RMB3,200 million, is primarily engaged in the management of power and thermal power production and sales, maintenance, commissioning, operation maintenance, manufacture and sales of electric power equipment, research and testing of power engineering and technologies, development of new type of renewable power and technology promotion service.

Datang Anhui Power Generation, a wholly-owned subsidiary of Datang International Power Generation and established on 27 December 2013 in accordance with the PRC laws with a registered capital of RMB3,626.158464 million, is primarily engaged in the development, investment, construction, operation and management of power energy; organization of power (thermal) production, operation and sales; power technology development and consultation; contracting and consulting of electric power engineering.

Relationship between the Company, Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation and Datang Anhui Power Generation is as below:



* To the knowledge of the Directors, China Datang and its subsidiaries held a total of approximately 53.09% equity interest of Datang International Power Generation.

Therefore, China Datang and its associates (including Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation and Datang Anhui Power Generation) are connected persons of the Company pursuant to Hong Kong Listing Rules.

CAPITAL INCREASE AGREEMENT

The Company convened Board meetings on 28 March 2020 and 25 May 2020 to approve the Capital Increase. The Company entered into the Capital Increase Agreement with Datang Overseas Technology and its current shareholders. The major terms of which are as follows:

1. Date: 25 May 2020
2. Parties:
 - (i) Datang Overseas Holdings;
 - (ii) Datang Overseas Investment;
 - (iii) Datang Shandong Power Generation;
 - (iv) Datang Anhui Power Generation;
 - (v) the Company; and
 - (vi) Datang Overseas Technology.
3. Share capital subscription: According to the Capital Increase Agreement, shareholders of Datang Overseas Technology will subscribe for the newly registered capital at their respective shareholding ratio in cash. Of which, Datang Overseas Holdings will subscribe for RMB80 million, representing 40% of the newly registered capital; Datang Overseas Investment will subscribe for RMB60 million, representing 30% of the newly registered capital; Each of Datang Shandong Power Generation and Datang Anhui Power Generation will subscribe for RMB20 million, representing 10% of the newly registered capital for each; the Company will subscribe for RMB20 million, representing 10% of the newly registered capital.
4. Contribution payment: Each shareholder of Datang Overseas Technology will transfer all the subscribed capital contribution to the designated account of Datang Overseas Technology within 15 days upon effective of the Capital Increase Agreement.

5. Signing and effective date: The Capital Increase Agreement will take effect after being signed by Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation and Datang Anhui Power Generation, the Company and Datang Overseas Technology on 25 May 2020.

The Company will subscribe for the Capital Increase with internal resources by way of cash. Upon completion of the Capital Increase, the shareholding ratio of the Company in Datang Overseas Technology will remain at 10%.

Information of Datang Overseas Technology

Datang Overseas Technology was incorporated in PRC on 16 November 2015, and primarily engaged in technological service, technological consulting, technology development, technology transfer, computer technology training, project investment, import and export of goods and technology, agent import and export and asset management.

As at the date of this announcement, Datang Overseas Holdings holds 40% equity interest of the registered capital of Datang Overseas Technology, while Datang Overseas Investment holds 30% equity interest of the registered capital of Datang Overseas Technology, and each of Datang Shandong Power Generation, Datang Anhui Power Generation and the Company holds 10% equity interest of Datang Overseas Technology.

Certain financial information of Datang Overseas Technology

The following sets out certain financial information of Datang Overseas Technology prepared in accordance with China Accounting Standards as of 31 December 2017, 31 December 2018 and 31 December 2019:

Unit: RMB'000

	As of 31 December 2017 (Audited)	As of 31 December 2018 (Audited)	As of 31 December 2019 (Audited)
Operating revenue	6,403.7	32,667.1	41,791.1
Profit before tax	544.9	1,320.0	1,420.9
Net profit	408.7	569.4	1,395.7
Total asset	107,614.0	105,628.2	112,212.4
Equity attributable to owners	51,268.6	51,838.1	53,233.7

Purpose of the Capital Increase and its impact on the Company

Since its inception, Datang Overseas Technology has actively endeavored to push forward the high quality development of its overseas technological service business, evidenced by the signing of accumulated 8 projects in Balingian of Malaysia, Payra of Bangladesh, São Tomé, Digling of Philippines and Meulaboh of Indonesia. The accumulated installed capacity of implementation projects amounted to 4,190 MW, and all projects were operated safely and stably. The Capital Increase is conducive to the expansion of capital scale of Datang Overseas Technology, in order to accommodate the increase in market demand for its business, and further promote its business development to increase the investment revenue of the Company. Meanwhile, the principle business of Datang Overseas Technology creates synergy with that of the Company to a certain extent, leading that its rapid development facilitates the development of the Company's overseas business, which is in line with the strategic development plan of the Company. Upon completion of the Capital Increase, the Company will not consolidate Datang Overseas Technology into its financial statements. The Capital Increase will not cause material impact on the financial position of the Company.

IMPLICATION UNDER THE HONG KONG LISTING RULES

With respect to the Capital Increase, given the scale of the subscription amount does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Capital Increase does not constitute a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules. The Capital Increase constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the scale of the Capital Increase exceeds 0.1% but does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, therefore, the Capital Increase is only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but is exempt from independent Shareholders' approval requirement.

The Board has approved the resolution regarding the Capital Increase. Mr. Jin Yaohua, Mr. Liu Quancheng, Mr. Liu Ruixiang, Mr. Li Zhenyu, Mr. Hou Guoli and Mr. Wang Yanwen, all being Directors having connected relationship, abstained from voting on the board resolution relating to the transaction. The resolution was voted by Directors who are not connected to the transaction. The Directors (including independent non-executive Directors) are of the view that although it was not in the ordinary and usual course of business of the Company, the Capital Increase Agreement was entered into: (i) on normal commercial terms (being the terms based on arm's length negotiation or no less favorable to those offered to the Company by independent third parties); and (ii) on terms that are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase”	the subscription of certain newly registered capital of Datang Overseas Technology at RMB20 million by the Company in accordance with the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 25 May 2020 and entered into between the Company, Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation, Datang Anhui Power Generation and Datang Overseas Technology
“China Datang”	China Datang Corporation Ltd. (中國大唐集團有限公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company
“Company”	Datang Environment Industry Group Co., Ltd.* (大唐環境產業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1272)
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Datang Anhui Power Generation”	Datang Anhui Power Generation Co., Ltd.* (大唐安徽發電有限公司), a wholly owned subsidiary of Datang International Power Generation
“Datang Capital”	China Datang Group Capital Holding Co., Ltd. (中國大唐集團資本控股有限公司), a company established on 30 November 2011 in accordance with the PRC laws, and a non-wholly owned subsidiary of China Datang, the controlling shareholder of the Company

“Datang Overseas Holdings”	China Datang Group Overseas Holdings Co., Ltd.* (中國大唐集團海外控股有限公司), a wholly owned subsidiary of China Datang, the controlling shareholder of the Company
“Datang Overseas Investment”	China Datang Group Overseas Investment Co., Ltd.* (中國大唐集團海外投資有限公司), a wholly owned subsidiary of China Datang, the controlling shareholder of the Company
“Datang International Power Generation”	Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose shares are listed on the Stock Exchange (stock code: 00991), the London Stock Exchange and the Shanghai Stock Exchange (stock code: 601991)
“Datang Overseas Technology”	China Datang Group Overseas Technology Co., Ltd.* (中國大唐集團海外技術服務有限公司)
“Datang Shandong Power Generation”	Datang Shandong Power Generation Co., Ltd. (大唐山東發電有限公司), a wholly owned subsidiary of China Datang, the controlling shareholder of the Company
“Director(s)”	director(s) of the Company, including independent non-executive directors
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as revised, amended and supplemented from time to time)
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Jin Yaohua
Chairman

Beijing, the PRC, 25 May 2020

As of the date of this announcement, the non-executive Directors are Mr. Jin Yaohua, Mr. Liu Quancheng, Mr. Liu Ruixiang and Mr. Li Zhenyu, the executive Directors are Mr. Hou Guoli and Mr. Wang Yanwen, and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiexiang.

** For identification purposes only*