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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)

**(1) CONNECTED TRANSACTION –
FORMATION OF JOINT VENTURE;
AND
(2) CHANGE IN USE OF NET PROCEEDS**

(1) FORMATION OF JOINT VENTURE

On 30 December 2021, the Company has entered into the Joint Venture Agreement with Datang Henan, a wholly-owned subsidiary of China Datang, in relation to the proposed formation of the JV Company with a registered capital of RMB30.096 million. Pursuant to the Joint Venture Agreement, the Company shall make a capital contribution of RMB15.048 million, representing 50% equity interest in the JV Company.

LISTING RULES IMPLICATIONS

Datang Henan is a wholly-owned subsidiary of a controlling shareholder of the Company, China Datang, and is therefore a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transaction exceeds 0.1% but is less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) CHANGE IN USE OF NET PROCEEDS

On 30 December 2021, the Board considered and approved the resolutions on, among others, the change in the use of Net Proceeds and agreed to change the use of Unutilised Net Proceeds of HK\$8.0 million from research and development expenditures to investment in renewable energy projects.

(1) FORMATION OF JOINT VENTURE

Background

On 30 December 2021, the Company has entered into the Joint Venture Agreement with Datang Henan, a wholly-owned subsidiary of China Datang, in relation to the proposed formation of the JV Company with a registered capital of RMB30.096 million. Pursuant to the Joint Venture Agreement, the Company shall make a capital contribution of RMB15.048 million, representing 50% equity interest in the JV Company.

Principal Terms of the Joint Venture Agreement

Parties

- (a) The Company
- (b) Datang Henan

Establishment of the JV Company

According to the Joint Venture Agreement, the Company and Datang Henan will jointly contribute to the establishment of the JV Company with a registered capital of RMB30.096 million. The JV Company will be principally engaged in the development, construction and operation of photovoltaic power projects in Linzhou, Henan Province, the PRC. Details of the capital contribution in relation to the JV Company are as follows:

Shareholder's name	Capital contribution (RMB million)	Capital contribution percentage	Capital contribution method
The Company	15.048	50%	Contribution in cash, all of which to be contributed in RMB (part of it will be paid by the amount exchanged from HK\$8.0 million)
Datang Henan	15.048	50%	Contribution in cash, all of which to be contributed in RMB
Total	30.096	100%	

The exchange rate between HK\$ and RMB shall be calculated at the central parity rate announced by the People's Bank of China on the date of capital injection.

The amount of capital contribution to be made by each of the shareholders in the JV Company was determined after arm's length negotiations among the shareholders having taken into account the capital requirements of the JV Company's intended investments.

Upon completion of the Transaction, the Company will hold 50% equity interest in the JV Company and the financial statements of the JV Company shall be consolidated in accordance with the Joint Venture Agreement.

Payment of capital contribution

The capital contribution of the above parties shall be paid in accordance with the shareholders' resolutions of the JV Company taking into account the development progress of the JV Company project, which shall be no later than 31 December 2022. Subsequent capital contribution shall be considered and determined by the shareholders of the JV Company in accordance with the circumstances of the development of the JV Company project.

Corporate governance

The JV Company shall have a shareholder committee, which exercises its functions and powers in accordance with laws and the articles of association of the JV Company.

The board of directors of the JV Company shall comprise five directors, of which two shall be nominated by Datang Henan, two shall be nominated by the Company and one shall be employee representative director. The chairman shall be nominated by Datang Henan and elected by more than half of the directors.

The JV Company shall have a supervisory committee, which comprises three supervisors, of which one shall be nominated by Datang Henan, one shall be nominated by the Company and one shall be employee representative supervisor. The supervisory committee shall have a chairman nominated by Datang Henan and elected by more than half of the supervisors.

The JV Company shall have a general manager and several deputy general managers. The general manager shall be nominated by the chairman of the board of directors and appointed or dismissed by the board of directors. Other senior management shall be nominated by the general manager and appointed or dismissed by the board of directors.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the formation of the JV Company provides an excellent opportunity for the Company to actively respond to the national policy “Carbon Peak Emissions and Carbon Neutrality” (碳达峰、碳中和) and transform the Company’s business coverage to investing and operating renewable energy projects, which is in line with the Company’s strategic development direction “New Energy+” (新能源+).

Having considered the future prospects of the JV Company, although the Joint Venture Agreement was not entered into in the Company’s ordinary and usual course of business, the Board considers that the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Wang Junqi, Mr. Wu Daqing and Mr. Chen Kan, the Directors, also hold positions in China Datang or its subsidiaries, they shall be abstained from voting at the relevant Board meeting to approve the Transaction. Save for the above, all Directors have confirmed that they have no material interests in the Transaction.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Datang Henan is a wholly-owned subsidiary of China Datang, a controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transaction exceeds 0.1% but is less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is an indirect wholly-owned subsidiary of China Datang and serves as the only platform for China Datang to develop its environmental protection business. It principally engages in environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment, energy conservation and renewable energy engineering.

Datang Henan is a wholly-owned subsidiary of China Datang. It principally engages in the development, investment, construction, operation and management of electrical energy. Its business projects include certain categories, such as thermal power, wind power and biomass power generation.

(2) CHANGE IN USE OF NET PROCEEDS

References are made to the prospectus of the Company dated 3 November 2016 (the “**Prospectus**”) in relation to the proposed use of net proceeds from listing (the “**Net Proceeds**”), the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”). Unless otherwise defined, terms used herein shall have the same meanings as defined in the Prospectus, the 2020 Annual Report and the 2021 Interim Report.

As set out in the 2021 Interim Report, the Net Proceeds amounted to HK\$2,032.30 million. As disclosed in the Prospectus, the Net Proceeds would be used for (i) expansion of the desulfurization and denitrification concession operations; (ii) development of new sources of growth in revenue and profit; (iii) repayment of bank loans; (iv) working capital and other general corporate purposes; and (v) research and development expenditures.

As at the date of this announcement, a total of HK\$1,973.46 million of the Net Proceeds have been utilised, and the Unutilised Net Proceeds amounted to HK\$58.84 million. The utilisation of the Net Proceeds is as follows:

Purposes	Total Amount Available <i>(HK\$ million)</i>	Amount Utilised <i>(HK\$ million)</i>	Amount Unutilised <i>(HK\$ million)</i>
Expansion of the desulfurization and denitrification concession operations	1,219.50	1,219.50	0.00
Development of new sources of growth in revenue and profit	304.80	304.80	0.00
Repayment of bank loans	203.20	203.20	0.00
Working capital and other general corporate purposes	203.20	203.20	0.00
Research and development expenditures	101.60	42.76	58.84
Total	2,032.30	1,973.46	58.84

Change in Use of Net Proceeds

For the reasons set out in the paragraph headed “Reasons for and Benefits of Change in Use of Net Proceeds” below in this announcement, the Board has resolved to change the use of Unutilised Net Proceeds of HK\$8.0 million from research and development expenditures to investment in renewable energy projects. Details of which are as follows:

Purposes	Total Amount Available (HK\$ million)	Amount Utilised (HK\$ million)	Amount Unutilised (HK\$ million)
Expansion of the desulfurization and denitrification concession operations	1,219.50	1,219.50	0.00
Development of new sources of growth in revenue and profit	304.80	304.80	0.00
Repayment of bank loans	203.20	203.20	0.00
Working capital and other general corporate purposes	203.20	203.20	0.00
Research and development expenditures	93.60	42.76	50.84
Investment in renewable energy projects	8.00	0.00	8.00
Total	2,032.30	1,973.46	58.84

Save as disclosed above, there are no other changes in the intended use of Unutilised Net Proceeds.

Reasons for and Benefits of Change in Use of Net Proceeds

To actively respond to the requirements under the national policy “Carbon Peak Emissions and Carbon Neutrality” (碳達峰、碳中和), the Company has entered into the Joint Venture Agreement with Datang Henan for the joint contribution of the establishment of the JV Company. In order to fulfil the local government’s requirements of introducing foreign investment, the Company intended to apply part of the Net Proceeds on the capital contribution in the JV Company.

The Board, including independent non-executive Directors, has confirmed that the above-mentioned changes are in line with the actual conditions and business development needs of the Company, there is no misappropriation of proceeds or arbitrary changes in the use of proceeds, and there is no damage to the interests of shareholders of the Company, especially minority shareholders, and are in the interest of the Company and its shareholders as a whole.

Pursuant to the provisions of the articles of association of the Company, the above proposal to change the use of Net Proceeds is not subject to consideration and approval at a general meeting of the Company and shall become effective from the date of being considered and approved by the Board.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors of the Company
“China Datang”	China Datang Corporation Ltd.* (中國大唐集團有限公司), a state-owned enterprise established on 9 April 2003 in accordance with the PRC laws, and the controlling shareholder and promoter 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 Stock Exchange (stock code: 1272)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Datang Henan”	Datang Henan Power Generation Co., Ltd.* (大唐河南發電有限公司), a wholly-owned subsidiary of China Datang
“Director(s)”	the director(s) of the Company

“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	a joint venture agreement for the Transaction entered into between Datang Henan and the Company
“JV Company”	Datang Linzhou New Energy Co., Ltd. (大唐林州新能源有限公司), a limited liability company to be established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Transaction”	the establishment of the JV Company jointly contributed by the Company and Datang Henan
“Unutilised Net Proceeds”	the unutilised net proceeds raised from the listing of H shares of the Company on the Stock Exchange
“%”	percent

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Wang Yanwen
Chairman

Beijing, the PRC, 30 December 2021

As of the date of this announcement, the executive Directors are Mr. Wang Yanwen and Mr. Tian Dan; the non-executive Directors are Mr. Wang Junqi, Mr. Wu Daqing, Mr. Chen Kan and Mr. Song Yunpeng; and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiexiang.

* For identification purposes only