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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 TRANSACTION
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY**

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 14 January 2022, the Company and Datang Overseas Investment entered into the Equity Transfer Agreement, pursuant to which, the Company has agreed to transfer, and Datang Overseas Investment has agreed to acquire the 10% equity interest in the Target Company held by the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Datang directly or indirectly holds approximately 78.96% equity interest of the Company and is a controlling shareholder of the Company. Datang Overseas Investment is an indirect wholly-owned subsidiary of China Datang, and hence is regarded as a connected person of the Company. Therefore, the Equity Transfer Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company pursuant to the Listing Rules. As the applicable percentage ratios of the transaction exceed 0.1% but are less than 5%, the transaction contemplated thereunder is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 14 January 2022, the Company and Datang Overseas Investment entered into the Equity Transfer Agreement, pursuant to which, the Company has agreed to transfer, and Datang Overseas Investment has agreed to acquire the 10% equity interest in the Target Company held by the Company.

EQUITY TRANSFER AGREEMENT

Date

14 January 2022

Parties

- (1) Purchaser: Datang Overseas Investment
- (2) Vendor: the Company

Assets to be disposed of

Subject to the terms of the Equity Transfer Agreement, the Company has agreed to transfer, and Datang Overseas Investment has agreed to acquire the 10% equity interest in the Target Company held by the Company.

The following table summarises the shareholding structure of the Target Company before and after the completion of the Disposal:

Name of shareholders of the Target Company	Before the completion of the Disposal		After the completion of the Disposal	
	Amount of registered capital (RMB million)	Shareholding percentage	Amount of registered capital (RMB million)	Shareholding percentage
The Company	25	10%	0	0%
Datang Overseas Investment	75	30%	100	40%
China Datang Group Overseas Holdings Co., Ltd.* (中國大唐集團海外控股有限公司)	100	40%	100	40%
Datang Shandong Power Generation Co., Ltd.* (大唐山東發電有限公司)	25	10%	25	10%
Datang Anhui Power Generation Co., Ltd.* (大唐安徽發電有限公司)	25	10%	25	10%
Total	250	100%	250	100%

Consideration

The consideration under the Equity Transfer Agreement payable by Datang Overseas Investment is RMB26,390,380.19. Pursuant to the Equity Transfer Agreement, the Company and Datang Overseas Investment shall bear the equity transfer costs incurred in the process of equity transfer thereunder in accordance with the relevant applicable laws and regulations.

Basis of consideration and payment method

The consideration under the Equity Transfer Agreement was determined based on arm's length negotiations between the Company and Datang Overseas Investment, with reference to a valuation report of the Target Company as of 30 June 2021.

Datang Overseas Investment shall transfer the consideration to the designated account of the Company within 10 working days upon execution of the Equity Transfer Agreement.

Completion of the Disposal under the Equity Transfer Agreement

Completion of the Disposal shall take place upon the 10% equity interest in the Target Company has been duly transferred in pursuance to the Equity Transfer Agreement.

The Equity Transfer Agreement may be amended or terminated subject to the regulatory requirements of the Listing Rules and the relevant applicable laws and regulations upon mutual written consent of both parties.

Information about the Target Company

The Target Company is a limited liability company incorporated under the laws of the PRC on 16 November 2015, and is owned as to 40%, 30%, 10%, 10% and 10% by China Datang Group Overseas Holdings Co., Ltd.* (中國大唐集團海外控股有限公司), Datang Overseas Investment, Datang Shandong Power Generation Co., Ltd.* (大唐山東發電有限公司), Datang Anhui Power Generation Co., Ltd.* (大唐安徽發電有限公司) and the Company, respectively, as at the date of this announcement.

Financial information of the Target Company

According to the audit results prepared by Zhonghui Certified Public Accountants LLP, the Target Company had a total asset of RMB314.3 million, total liabilities of RMB56.4 million and an owner's equity of RMB257.9 million as of 30 June 2021.

According to a valuation report prepared by GuoZhongLian Asset Appraisal Land Real Estate Valuation Co., Ltd. using the asset-based approach, the value of all owner's equity of the Target Company amounted to RMB263,902,800, with an appraised appreciation of RMB6,042,000, representing an appreciation rate of 2.34% as of 30 June 2021.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE COMPANY

The 10% equity interest in the Target Company is classified as other investment in equity instruments in the Group's consolidated financial statements, and the fair value of which is measured at the appraised price. The initial cost of investment was RMB25.0 million. The Disposal is expected to increase the equity attributable to the owners by RMB1.9378 million and the net proceeds therefrom (excluding transaction costs and applicable taxes) are expected to be approximately RMB26.3891 million.

Information about the Company

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

Information about Datang Overseas Investment

Datang Overseas Investment is an investment holding company incorporated in the PRC with limited liability. It principally engages in investment, development, construction and operation management of overseas energy projects, international trading business, engineering and construction contracting, manufacturing, maintenance and debugging of power equipment, development and consultation of power technology, and management services on overseas assets.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The 10% equity interest in the Target Company was a long-term equity investment held by the Company, and its prevailing market value has become higher than the historical acquisition cost borne by the Company over the years. The Company therefore decided to dispose of the relevant equity interest to provide additional working capital for the Company and improve cash flow of the Company.

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 meetings approving the Equity Transfer Agreement. Save as mentioned above, all Directors have confirmed that they have no material interests in the Disposal.

The terms of the Equity Transfer Agreement was determined based on arm's length negotiation between the parties. Having considered the financial benefits of the Disposal, although the Equity Transfer Agreement was not entered into in the ordinary and usual course of business of the Company, the Board considers that the terms therein are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Datang directly or indirectly holds approximately 78.96% equity interest of the Company and is a controlling shareholder of the Company. Datang Overseas Investment is an indirect wholly-owned subsidiary of China Datang, and hence is regarded as a connected person of the Company. Therefore, the Equity Transfer Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company pursuant to the Listing Rules. As the applicable percentage ratios of the transaction exceed 0.1% but are less than 5%, the transaction contemplated thereunder is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Board”	the board of Directors
“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, whose H shares are listed on the Stock Exchange (stock code: 1272)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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 company incorporated in the PRC with limited liability
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the 10% equity interest in the Target Company held by the Company on the terms and subject to the conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and Datang Overseas Investment on 14 January 2022 in relation to the acquisition and transfer of the 10% equity interest in the Target Company held by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement only, it excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the current lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Datang Overseas Power Operating Co., Ltd.* (中國大唐集團海外電力運營有限公司), a company incorporated in the PRC with limited liability
“%”	percent

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

Beijing, the PRC, 14 January 2022

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