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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)

**ANNOUNCEMENT
CONNECTED TRANSACTIONS –
DISPOSAL OF ASSET**

ASSET TRANSFER AGREEMENT

The Board is pleased to announce that, on 31 August 2023, Water Engineering & Technology, a wholly-owned subsidiary of the Company, as a vendor, entered into the Asset Transfer Agreement with Datang Baoji Thermal Power Plant, as a purchaser. According to the Asset Transfer Agreement, Water Engineering & Technology has conditionally agreed to sell and Datang Baoji Thermal Power Plant has conditionally agreed to acquire, the Target Assets at a consideration of RMB37,997,700.

LISTING RULES IMPLICATIONS

As China Datang directly held approximately 78.17% of the issued share capital of the Company as at the date of this announcement, it is a controlling shareholder of the Company. Datang Shaanxi Power is a wholly-owned subsidiary of China Datang and Datang Baoji Thermal Power Plant is a wholly-owned branch of Datang Shaanxi Power. Datang Baoji Thermal Power Plant is therefore indirectly wholly-owned by China Datang. Pursuant to Chapter 14A of the Listing Rules, Datang Baoji Thermal Power Plant is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Disposal exceed 0.1% but all are less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

INTRODUCTION

On 31 August 2023, Water Engineering & Technology, as a vendor, entered into the Asset Transfer Agreement with Datang Baoji Thermal Power Plant, as a purchaser. According to the Asset Transfer Agreement, Water Engineering & Technology has conditionally agreed to sell and Datang Baoji Thermal Power Plant has conditionally agreed to acquire, the Target Assets at a consideration of RMB37,997,700.

ASSET TRANSFER AGREEMENT

The principal terms of the Asset Transfer Agreement are summarized as follows:

- Date: 31 August 2023
- Parties: (1) Water Engineering & Technology (as the vendor); and
(2) Datang Baoji Thermal Power Plant (as the purchaser)
- Principal terms: According to the Asset Transfer Agreement, Water Engineering & Technology agreed to sell and Datang Baoji Thermal Power Plant agreed to acquire the Target Assets
- Target Assets: The Target Assets are the fixed assets under The Refurbishment Project of the Utilization of Residual Heat from Circulating Water in Datang Baoji Thermal Power Plant (大唐寶雞熱電廠循環水餘熱利用工程項目) (“**Project**”) owned by the Water Engineering & Technology (a total of 38 items), including:
1. Building: a residual heat recovery pumping station with a total construction area of 862.80 square meters located inside the Datang Baoji Thermal Power Plant in Baoji City in Shaanxi Province of the PRC;
 2. Building structures: a total of 3 items, including pumping station platform, greening road and square; and
 3. Equipment: a total of 34 items, including steam electric control valve, programmable logic controller system, solution pump and refrigerant pump.

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| Consideration and basis of determination: | <p>The consideration of the Target Assets is RMB37,997,700.</p> <p>The aforesaid consideration was determined after arm's length negotiations between the Water Engineering & Technology and Datang Baoji Thermal Power Plant with reference to the appraised market value of the Target Assets of RMB33,626,300 (tax exclusive) on the Appraisal Reference Date, which was appraised by the PRC Independent Valuer using the cost approach in the Asset Valuation Report.</p> |
| Payment terms: | <p>The consideration of the Target Assets shall be paid by the Datang Baoji Thermal Power Plant to Water Engineering & Technology in two instalments. The first instalment in the amount of RMB18,998,850 shall be paid within 1 month from the effective date of the Asset Transfer Agreement. The second instalment in the amount of RMB18,998,850 shall be paid within 3 months from the payment of the first instalment.</p> |
| Terms of performance: | <p>Within 10 working days from the consideration of the Target Assets being paid in full, Water Engineering & Technology shall deliver the Targets Assets, the relevant title proof and technological information to Datang Baoji Thermal Power Plant.</p> <p>Water Engineering & Technology shall assist Datang Baoji Thermal Power Plant in completing the registration of certificates in respect of the transfer of ownership of the Target Assets.</p> <p>The valuation fees of the Target Assets shall be borne by Water Engineering & Technology, while taxes incurred during the asset transfer process shall be borne by both parties respectively. All expenses and liabilities in relation to the relevant ownership or change of ownership registration required after the transfer of the Target Assets shall be borne by both parties respectively.</p> |
| Conditions Precedent: | <p>The transfer of Target Assets shall take effect upon fulfilment of all of the following conditions:</p> <ol style="list-style-type: none"> 1. Water Engineering & Technology has, in accordance with the law, completed relevant procedures including internal approval process and asset evaluation regarding the Target Assets; 2. Datang Baoji Thermal Power Plant has fully understood the information in relation to the Target Assets and agreed with the terms and conditions proposed by Water Engineering & Technology under the Asset Transfer Agreement. |

3. Datang Baoji Thermal Power Plant agreed to acquire the Target Assets owned by Water Engineering & Technology in accordance with the provisions of the Asset Transfer Agreement.

INFORMATION ABOUT THE TARGET ASSETS

In January 2016, the then Datang (Beijing) Energy Management Co., Ltd. (大唐(北京)能源管理有限公司) (“**Energy Company**”) entered into a energy saving service framework agreement (“**Framework Agreement**”) with Datang Baoji Thermal Power Plant for a term of five years, pursuant to which the Energy Company would receive an energy saving service fee (“**Service Fee**”), based on the actual commercial benefits generated from the Project, in return for its investment, construction and operation of the Project. During the subsistence of the Energy Company, the Project was not able to generate commercial benefits sufficient enough to a measurable level, leaving the Energy Company unable to receive the Service Fee, but a fee otherwise negotiated with Datang Baoji Thermal Power Plant.

On 23 August 2021, Water Engineering & Technology absorbed the Energy Company and its assets including the Target Assets and its right and obligations under the Framework Agreement. After negotiations, Water Engineering & Technology and Datang Baoji Thermal Power Plant agreed to terminate the Framework Agreement on 12 May 2023 and transfer the Target Assets to Datang Baoji Thermal Power Plant.

The Target Assets are a number of building, building structures and equipment owned by the Water Engineering & Technology (a total of 38 items), including:

1. Building: a residual heat recovery pumping station with a total construction area of 862.80 square meters located inside the Datang Baoji Thermal Power Plant in Baoji City in Shaanxi Province of the PRC;
2. Building structures: a total of 3 items, including pumping station platform, greening road and square; and
3. Equipment: a total of 34 items, including steam electric control valve, programmable logic controller system, solution pump and refrigerant pump.

The Target Assets are generally in good condition and their daily maintenance remains normal, all of which are accessible as usual without any damage and fully installed with water and power supply and fire-fighting facilities. The Target Assets are located in Datang Baoji Thermal Power Plant in Baoji City in Shaanxi Province of the PRC.

As at Appraisal Reference Date, the audited net book value and original book value of the Target Assets were RMB4,657,350.6 and RMB47,767,700, respectively. By contrast, the appraised market value of the Target Assets was RMB33,626,300 (tax exclusive) as determined by the PRC

Independent Valuer in adopting the cost method by multiplying the replacement cost of the Target Assets by its newness rate (the “**Cost Method**”). The replacement cost is determined on the basis of the cost incurred in completing the asset building and construction, including construction cost and the cost of capital. The newness rate is determined through the comprehensive analysis taking into account of on-site inspection and estimated useful lives of the assets.

The appraised market value of Target Assets was significantly higher than its net book value, mainly because under the Framework Agreement, the Targets Assets were to be depreciated over the term of 5 years of the Framework Agreement, instead of the estimated useful lives of the Target Assets, giving a much higher depreciation rate than the one otherwise computed under the Cost Method. Under the Cost Method, considering (i) the actual conditions of the building and the building structures were in good conditions with sufficient bearing capacity in the absence of leakage and cracks in the structures, and (ii) the structures of the equipment were stable with only little cracks, the PRC Independent Valuer gave newness rates of 90% and 76% respectively, resulting in a much lower depreciation rate of the Target Assets under the Asset Valuation Report.

Upon reviewing the Asset Valuation Report, the Board (including the independent non-executive Directors) is of the view that the conclusions made by the PRC Independent Valuer on the Target Asset using cost method are fair and reasonable.

FINANCIAL EFFECTS OF THE TRANSFER OF TARGET ASSETS ON THE GROUP

Upon completion of the Disposal, the Group will no longer have any rights or interests in the Target Assets. As a result, the Group is expected to record a gain on disposal of RMB33,626,300, which will, after deducting the relevant expenses in relation to the Disposal, result in an actual gain of approximately RMB26,331,800 (before tax), subject to audit.

USE OF PROCEEDS FROM THE TRANSFER OF TARGET ASSETS

The proceeds from the Disposal are expected to be used for other business investments.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Project was not able to generate commercial benefits sufficient enough to a measurable level, the Water Engineering & Technology was unable to receive the Service Fee as stipulated in the Framework Agreement, but a fee otherwise negotiated with Datang Baoji Thermal Power Plant. The Directors are of the view that the Project cannot realise a long-term commercial benefit. Thus, the Disposal allows the Company to (i) recover the full amount of investments, (ii) eliminate the risks of loss in its investment in the Project, and (iii) allocate the recovered fund to other investment projects.

Based on the above, the Directors (including independent non-executive Directors) are of the view that the terms of the Asset Transfer Agreement and the Disposal thereunder are entered into based on arm's length negotiations, in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As China Datang directly held approximately 78.17% of the issued share capital of the Company as at the date of this announcement, it is a controlling shareholder of the Company. Datang Shaanxi Power is a wholly-owned subsidiary of China Datang and Datang Baoji Thermal Power Plant is a wholly-owned branch of Datang Shaanxi Power. Datang Baoji Thermal Power Plant is therefore indirectly wholly-owned by China Datang. Pursuant to Chapter 14A of the Listing Rules, Datang Baoji Thermal Power Plant is a connected person of the Company. Accordingly, the Disposal constitute connected transaction of the Company under the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Disposal exceed 0.1% but all are less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Mr. Wang Junqi, Mr. Wu Daqing and Mr. Chen Kan are holding positions in China Datang or its subsidiaries and therefore have abstained from voting at relevant Board meeting approving the Asset Transfer Agreement and the Disposal thereunder. Save as disclosed above, all Directors have confirmed that they have no material interests in the Asset Transfer Agreement and the Disposal thereunder.

GENERAL INFORMATION

China Datang is a state-owned enterprise established in the PRC in April 2003 and is the controlling shareholder of the Company. China Datang is primarily engaged in the development, investment, construction, operation and management of electric 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; development of renewable power; and self-operating and being an agent for import and export of any kind of goods and technology save for those where the import or export of the goods and technology are restricted or prohibited by national laws and regulations.

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 Group, one of the five major state wholly-owned power generation groups in the PRC.

Water Engineering & Technology is a wholly-owned subsidiary of the Company. The principal business of Water Engineering & Technology includes the provision of technology services, energy saving technology promotion services and water engineering business.

Datang Shaanxi Power is a company established on 22 January 1996 in accordance with the PRC laws and a wholly-owned subsidiary of China Datang, the controlling shareholder of the Company. The principal business of Datang Shaanxi Power includes production and supply of electricity and heat energy.

Datang Baoji Thermal Power Plant was established on 24 April 2008 and is indirectly wholly-owned by China Datang, the controlling shareholder of the Company. The principal business of Datang Baoji Thermal Power Plant includes development and provision of electric power supply (including thermal power), relevant auxiliary products, new energy sources, maintenance and installation of power generation equipment, power application technologies and technological consultation.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

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| “Appraisal Reference Date” | 30 September 2022 |
| “Asset Transfer Agreement” | the agreement entered into by Water Engineering & Technology and Datang Baoji Thermal Power Plant on 31 August 2023 |
| “Asset Valuation Report” | The Asset Valuation Report on the Market Value of the Fixed Assets under the proposed Transfer of Assets by Datang (Beijing) Water Engineering & Technology Co, Ltd.* in Baoji Contract Energy Management Project (Beifang Yashi Ping Bao Zi [2023] No.01-271) (《大唐(北京)水務工程技術有限公司擬轉讓資產涉及的寶雞合同能源管理項目固定資產市場價值資產評估報告》(北方亞事評報字[2023]第01-271號)) issued by the PRC Independent Valuer based on the Appraisal Reference Date |
| “Board” | the board of Directors of the Company |
| “China” or “PRC” | the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan |
| “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 a promoter of the Company |

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| “China Datang Group” | China Datang and its subsidiaries (excluding, for the purpose of this announcement, the Group) |
| “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 person” | has the meaning ascribed under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed under the Listing Rules |
| “Datang Baoji Thermal Power Plant” | Datang Baoji Thermal Power Plant* (大唐寶雞熱電廠), a branch (有限責任公司分公司) of Datang Shaanxi Power, which was established on 24 April 2008 in accordance with the PRC laws and indirectly wholly-owned by China Datang, the controlling shareholder of the Company |
| “Datang Shaanxi Power” | Datang Shaanxi Power Generation Co., Ltd.* (大唐陝西發電有限公司), a company established on 22 January 1996 in accordance with the PRC laws and a wholly-owned subsidiary of China Datang, the controlling shareholder of the Company |
| “Water Engineering & Technology” | Datang (Beijing) Water Engineering & Technology Co., Ltd.* (大唐(北京)水務工程技術有限公司), a company established on 11 June 2015 in accordance with the PRC laws and a wholly-owned subsidiary of the Company |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of Target Assets as contemplated under the Asset Transfer Agreement |
| “Domestic Share(s)” | ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB |
| “Group” | the Company and its subsidiaries |
| “H Shares” | the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange |

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| “Hong Kong” or “HK” | Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC Independent Valuer” | Beijing North Asia Asset Assessment Firm (Special General Partnership)(北京北方亞事資產評估事務所(特殊普通合夥)), an independent valuer |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | Domestic Share(s) and/or H Share(s) |
| “Shareholder(s)” | holder(s) of Share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed under the Listing Rules |
| “Target Assets” | a number of building, building structures and equipment owned by the Company (a total of 38 items), including: <ol style="list-style-type: none"> 1. Building: a residual heat recovery pumping station with a total construction area of 862.80 square meters located inside the Datang Baoji Thermal Power Plant in Baoji City in Shaanxi Province of the PRC. 2. Building structures: a total of 3 items, including pumping station platform, greening road and square; and 3. Equipment: a total of 34 items, including steam electric control valve, programmable logic controller system, solution pump and refrigerant pump. |
| “%” | per cent |

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Zhu Liming
Chairman

Beijing, the PRC, 31 August 2023

As of the date of this announcement, the executive Directors are Mr. Zhu Liming and Mr. Shen Zhen; 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.

This announcement is available on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.dteg.com.cn).

** For identification purposes only*