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DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 00895)

**CONTINUING CONNECTED TRANSACTION
SALE AND PURCHASE FRAMEWORK AGREEMENT**

SALE AND PURCHASE FRAMEWORK AGREEMENT

On 27 September 2021, Xiongfeng Environmental (as purchaser) and Danxia Smelter (as seller) entered into the Sale and Purchase Framework Agreement, pursuant to which Xiongfeng Environmental has agreed to purchase and Danxia Smelter has agreed to sell lead and silver residue, concentrated silver residue and replacement residue.

LISTING RULES IMPLICATIONS

As Danxia Smelter is a branch of Zhongjin Lingnan, which is in turn a non-wholly-owned subsidiary of Guangdong Rising Group (a substantial shareholder of the Company), Danxia Smelter is a connected person of the Company under the Listing Rules. Accordingly, the Transactions contemplated under the Sale and Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated for the Transactions based on the annual cap are higher than 0.1% but all are less than 5% and the annual cap exceeds HK\$3,000,000, the Transactions contemplated under the Sale and Purchase Framework Agreement are subject to the announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to the announcements of the Company dated 15 July 2021, 10 September 2021 and 16 September 2021 (the “**Announcement**”), the circular of the Company dated 20 August 2021 and the poll results announcement of the Company dated 8 September 2021. As disclosed in the Announcement, completion of the acquisition of 70% equity interest in Xiongfeng Environmental took place on 16 September 2021 and Xiongfeng Environmental has become a subsidiary of the Company.

SALE AND PURCHASE FRAMEWORK AGREEMENT

The Board announces that on 27 September 2021, Xiongfeng Environmental (as purchaser) and Danxia Smelter (as seller) entered into the Sale and Purchase Framework Agreement, pursuant to which Xiongfeng Environmental has agreed to purchase and Danxia Smelter has agreed to sell lead and silver residue, concentrated silver residue and replacement residue.

The principal terms of the Sale and Purchase Framework Agreement are as follows:

Date

27 September 2021

Parties

1. Xiongfeng Environmental, as purchaser; and
2. Danxia Smelter, as seller.

Principal terms

Pursuant to the Sale and Purchase Framework Agreement, Xiongfeng Environmental shall purchase and Danxia Smelter shall sell lead and silver residue, concentrated silver residue and replacement residue.

Xiongfeng Environmental and Danxia Smelter will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions in respect of the sale and purchase of lead and silver residue, concentrated silver residue and replacement residue.

Term

The term of the Sale and Purchase Framework Agreement shall commence from 27 September 2021 and end on 31 December 2021.

Purchase price and pricing principles

The terms of all Transactions shall be based on the prevailing market prices, negotiated on an

arm's length basis and shall be on normal commercial terms and fair and reasonable. The purchase prices of lead and silver residue, concentrated silver residue and replacement residue are determined based on the following pricing formulae:

Product				Price per unit (RMB / ton)	
1. Lead and silver residue	Lead	=	Coefficient for purity of content	x	average price of lead (1# lead) quoted on the website of Shanghai Metals Market (www.smm.cn/) for the 10 working days after date of release of goods
	Silver	=	Coefficient for purity of content	x	
2. Concentrated silver residue	Lead	=	Coefficient for purity of content	x	average price of lead (1# lead) quoted on the website of Shanghai Metals Market (www.smm.cn/) for the 10 working days after date of release of goods
	Silver	=	Coefficient for purity of content	x	average price of silver (1# silver) quoted on the website of China Silver Market (https://www.ebaiyin.com/) for the 10 working days after date of release of goods
	Lead	=	Coefficient for purity of content	x	average price of lead (1# lead) quoted on the website of Shanghai Metals Market (www.smm.cn/) for the 10 working days after date of release of goods
	Silver	=	Coefficient for purity of content	x	average price of silver (1# silver) quoted on the website of China Silver Market (https://www.ebaiyin.com/) for the 10 working days after date of release of goods
3. Replacement residue	Germanium	=	Coefficient for purity of content	x	average price of germanium quoted on the website of Shanghai Metals Market (www.smm.cn) for the 10 working days after date of release of goods

The purchase price of the lead and silver residue, concentrated silver residue and replacement residue will be settled by Xiongfeng Environmental in cash utilizing its internal resources.

ANNUAL CAP

The annual cap in respect of the maximum transaction amount for the purchase of lead and silver residue, concentrated silver residue and replacement residue by Xiongfeng Environmental for the

year ending 31 December 2021 shall be RMB35,000,000, which was determined with reference to: (i) the market unit prices of lead, silver and germanium; (ii) Xiongfeng Environmental's estimated demand for lead and silver residue, concentrated silver residue and replacement residue for the period from 27 September 2021 to 31 December 2021 (i.e. lead and silver residue (approximately 6000 tons), concentrated silver residue (approximately 1800 tons) and replacement residue (approximately 1000 tons)); (iii) the Company's estimation on the trend of the relevant market prices of lead, silver and germanium from 27 September 2021 to 31 December 2021; and (iv) a reasonable buffer for potential fluctuation of prices of lead, silver and germanium and/or transaction amounts.

As completion of the acquisition of 70% equity interest in Xiongfeng Environmental by the Company had only taken place in September 2021, there was no historical transaction between Xiongfeng Environmental and Danxia Smelter in respect of the sale and purchase of lead and silver residue, concentrated silver residue and replacement residue.

INTERNAL CONTROL MEASURES

The Group will at all times comply with Rule 14A.34 and Rule 14A.51 to 14A.59 of the Listing Rules. In addition, in order to safeguard the overall interests of the Company and the Shareholders, the Company has adopted the following guidelines and principles in regulating the Group's transactions with Danxia Smelter:

1. The Group will report to the independent non-executive Directors, as appropriate, on the Transactions under Sale and Purchase Framework Agreement during each audit committee meeting;
2. The Transactions under the Sale and Purchase Framework Agreement will be reviewed annually by the auditors of the Group and the independent non-executive Directors, and reported in the annual report of the Company; so as to ensure that Transactions are conducted in accordance with the Sale and Purchase Framework Agreement, on normal commercial terms, and in accordance with the pricing principles required under the Listing Rules;
3. The Group will closely monitor the market prices of lead, silver and germanium published on the websites of the Shanghai Metals Market and the China Silver Market, which enables the Group to keep abreast of the latest market rates of lead, silver and germanium and ensure that the purchase prices for the Transactions are on normal commercial terms, conducted in accordance with the pricing principles set out in the Sale and Purchase Framework Agreement, fair and reasonable and in the interest of the Company and the Shareholders as a whole; and
4. The Group will regularly review Transactions with Danxia Smelter to identify any transactions that may be at risk of exceeding the annual cap and any measures to be introduced in response to such transactions. The Group has formulated a series of internal measures and policies to ensure that the Transaction will be carried out in accordance with

the terms of the Sale and Purchase Framework Agreement and the above pricing principles.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

Upon the completion of the acquisition of 70% equity interest in Xiongfeng Environmental, the Group has become aware that Xiongfeng Environmental requires certain material for its operation. The Transactions contemplated under the Sale and Purchase Framework Agreement are to satisfy Xiongfeng Environmental's normal production and operation needs and are conducted in the ordinary and usual course of business of the Group. As the Transactions are governed by and will be conducted in accordance with the pricing principles implemented under the Listing Rules, the Transactions enable Xiongfeng Environmental to purchase resources and materials required for its operations at a reasonable and competitive price, which is on normal commercial terms and consistent with the prevailing market price.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Framework Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group, and the Transactions (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As (1) Mr. Tan Kan (an executive Director) was nominated by Guangdong Rising Group and elected at a general meeting of the Company, and was appointed by Guangdong Rising Group as the Secretary of the Company Party Committee; (2) Mr. Lin Peifeng (an executive Director) was nominated by Guangdong Rising Group and elected at a general meeting of the Company, and was appointed by the Guangdong Rising Group as deputy secretary of the Company Party Committee; and (3) Mr. Tang Yi (non-executive Director) holds position in Guangdong Rising Group, they are considered to be materially interested in the Transactions contemplated under the Sale and Purchase Framework Agreement and have therefore abstained from voting on the relevant Board resolutions approving the Sale and Purchase Framework Agreement and the Transactions contemplated thereunder (including the annual caps).

INFORMATION ON THE PARTIES

Information on the Company and the Group

The Company is a joint stock limited company incorporated in the PRC. The Group is primarily engaged in (i) disposal and treatment of waste; (ii) production and sales of recycled products and renewable energy; (iii) construction and provision of environmental systems and services; (iv) renewable energy utilization; and (v) trading of chemical products and others.

Information on Zhongjin Lingnan

Zhongjin Lingnan is a joint stock limited company established in the PRC, which is principally engaged in (i) non-ferrous metal mineral products, smelting products, processing products, comprehensive utilization products (including sulfuric acid, oxygen, sulfur, gallium, antimony,

electric furnace zinc powder production), packaging materials and containers; and (ii) building materials, mechanical equipment and pipeline installation and maintenance. Zhongjin Lingnan is a non-wholly-owned subsidiary of Guangdong Rising Group, a substantial shareholder of the Company and which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Guangdong Province* (廣東省人民政府國有資產監督管理委員會).

Information on Danxia Smelter

Danxia Smelter is a branch of Zhongjin Lingnan and is principally engaged in the production, processing and sales of non-ferrous metal mineral products, smelting products, processing products, comprehensive utilization products (including sulfuric acid, oxygen, sulfur, gallium, antimony, electric furnace zinc powder production), packaging materials and containers.

Information on Xiongfeng Environmental

Xiongfeng Environmental is a company established under the laws of the PRC with limited liability, which is principally engaged in scientific research and development service within the environmental protection field, recycling, disposal and utilization of industrial solid waste and hazardous solid waste, production and sales of rare and precious metals, non-ferrous metals and ferrous metals. As at the date of this announcement, Xiongfeng Environmental is held as to 70% of its equity interest by the Company.

LISTING RULES IMPLICATIONS

As Danxia Smelter is a branch of Zhongjin Lingnan, which is in turn a non-wholly-owned subsidiary of Guangdong Rising Group (a substantial shareholder of the Company), Danxia Smelter is a connected person of the Company under the Listing Rules. Accordingly, the Transactions contemplated under the Sale and Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated for the Transactions based on the annual cap are higher than 0.1% but all are less than 5% and the annual cap exceeds HK\$3,000,000, the Transactions contemplated under the Sale and Purchase Framework Agreement are subject to the announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“A Share(s)”

A share(s) in the share capital of the Company, with

	a par value of RMB1.00 each, which are subscribed for and traded in RMB on the Shenzhen Stock Exchange
“Board”	the board of Directors
“Company”	東江環保股份有限公司 (Dongjiang Environmental Company Limited*), a joint stock limited company incorporated in the PRC, whose H Shares and A Shares are listed on the Stock Exchange and on the Shenzhen Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Danxia Smelter”	Danxia Smelter of Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd.* (深圳市中金嶺南有色金屬股份有限公司丹霞冶煉廠) a branch of Zhongjin Lingnan, a joint stock limited company established in the PRC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Rising Group”	Guangdong Rising Holdings Group Co., Ltd.* (廣東省廣晟控股集團有限公司), a company established in the PRC with limited liability and a substantial shareholder of the Company as at the date of this announcement; which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People’s Government of Guangdong Province* (廣東省人民政府國有資產監督管理委員會)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas listed foreign share(s) in the share

	capital of the Company, with a par value of RMB1.00 each, which are subscribed for and traded in HK\$ on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Framework Agreement”	the sale and purchase framework agreement dated 27 September 2021 entered into between the Xiongfeng Environmental (as purchaser) and Danxia Smelter (as seller) in relation to the sale and purchase of lead and silver residue, concentrated silver residue and replacement residue, with a term from 27 September 2021 to 31 December 2021
“Share(s)”	the share(s) of the Company, unless otherwise specified, including A Shares and H Shares
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the sale and purchase of lead and silver residue, concentrated silver residue and replacement residue pursuant to the terms and conditions of the Sale and Purchase Framework Agreement
“Xiongfeng Environmental”	Chenzhou Xiongfeng Environmental Technology Co., Ltd.* (郴州雄風環保科技有限公司), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company as at the date of this announcement
“Zhongjin Lingnan”	Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd.*

(深圳市中金嶺南有色金屬股份有限公司), a joint stock limited company established in the PRC, and a non-wholly-owned subsidiary of Guangdong Rising Group

“%”

per cent

By order of the Board
Dongjiang Environmental Company Limited*
Tan Kan
Chairman

Shenzhen, the PRC
27 September 2021

As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, being Mr. Tan Kan and Mr. Lin Peifeng; three non-executive Directors, being Mr. Tang Yi, Ms. Shan Xiaomin and Mr. Jin Yongfu; and three independent non-executive Directors, being Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi.

** For identification purpose only*