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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
FORMATION OF JOINT VENTURE**

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LISTING RULES IMPLICATIONS

As at the date of this announcement, China Datang is a controlling shareholder of the Company, and each of Datang Power, Guiguan Electric Power and Datang Renewable Power is a subsidiary of China Datang. Accordingly, each of China Datang, Datang Power, Guiguan Electric Power and Datang Renewable Power is 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.

INTRODUCTION

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PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

Parties

- (a) China Datang;
- (b) Datang Power;
- (c) Guiguan Electric Power;
- (d) Datang Renewable Power;
- (e) the Company; and
- (f) DEC Academy of Science and Technology.

Establishment of the JV Company

According to the Joint Venture Agreement, the Company and the JV Partners will jointly contribute to the establishment of the JV Company with a registered capital of RMB1,000 million. The proposed business scope of the JV Company includes research and development, technology transfer, consulting, technical services, and sales of related products in new energy and energy clean and efficient conversion; technical training; research and development in hydrogen energy and emerging energy technologies; research and development in carbon emission reduction and carbon conversion utilisation; research and development in carbon capture, utilisation, and storage technologies; research and development in energy storage-related technologies; technical services in wind energy, solar energy, and biomass energy projects; artificial intelligence; research and experimental development in natural sciences; research and experimental development in engineering technology; energy-saving research and development and technical services; software development; computer system services; internet information services; engineering contracting; project management in engineering; contract energy management; intellectual property services; testing services; environmental monitoring; market research; professional contracting; import and export of goods, technology import and export, agency import and export; engineering surveying; certification services.

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
China Datang	510	51%	Cash
Datang Power	120	12%	Cash
Guiguan Electric Power	120	12%	Cash

Shareholder's name	Capital contribution (RMB million)	Capital contribution percentage	Capital contribution method
Datang Renewable Power	100	10%	Cash
The Company	50	5%	Cash
DEC Academy of Science and Technology	<u>100</u>	<u>10%</u>	Cash
Total	<u><u>1,000</u></u>	<u><u>100%</u></u>	

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 various factors such as the nature of the business, the need for operating capital and future development plans of the JV Company.

Upon completion of the Transaction, the Company will hold 5% equity interest in the JV Company. The JV Company will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

Payment of capital contribution

The registered capital of the JV Company shall be paid in instalments within five years after its establishment. In particular, the capital contribution of the shareholders of the JV Company shall be paid in accordance with the following schedule:

- (i) no less than 30% of the capital contribution amount shall be paid in the first year, to be paid within 3 months after the establishment of the JV Company;
- (ii) no less than 20% of the capital contribution amount shall be paid in the second year, to be paid within 15 months after the establishment of the JV Company;
- (iii) no less than 20% of the capital contribution amount should be paid in the third year, to be paid within 27 months after the establishment of the JV Company;
- (iv) no less than 20% of the capital contribution amount should be paid in the fourth year, to be paid within 39 months after the establishment of the JV Company; and
- (v) no less than 10% of the capital contribution amount should be paid in the fifth year, to be paid within 51 months after the establishment of the JV Company.

Subsequent capital contribution or reduction 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 set up general meeting of all shareholders, 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 one shall be nominated by China Datang, one shall be nominated by Datang Power, one shall be nominated by Guiguan Electric Power, one shall be nominated by DEC Academy of Science and Technology, and one shall be employee representative director. The chairman shall be the director as nominated by China Datang.

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

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board is of the view that the formation of the JV Company is a strategic initiative to actively implement China's "Dual Carbon" strategy and the strategy for scientific and technological innovation. The JV Company, as a platform for scientific and technological innovation in the energy sector, is designed to solve major problems by facilitating collaborative innovation, integrate and leverage innovative resources from all shareholders to undertake significant national scientific and technological tasks, achieve deep integration across entire industry chain in production, education and research, accelerate the transformation and incubation of high-level scientific and technological innovations and cultivate strategic emerging industries and future industries, so as to contribute to high-quality development.

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 Directors (including the independent non-executive Directors) consider 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. Shen Zhen, 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

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INFORMATION OF THE COMPANY

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. The principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

INFORMATION OF THE JV PARTNERS

1. 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 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.
2. Datang Power is a sino-foreign joint stock limited company incorporated in the PRC in December 1994. Datang Power is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power; the repair and maintenance of power equipment; power related technical services. The main service areas of Datang Power are in the PRC. Datang Power's H shares are listed on the Stock Exchange (stock code: 991) and the London Stock Exchange (stock code: DAT) and whose A shares are listed on the Shanghai Stock Exchange (stock code: 601991). Datang Power is a subsidiary of China Datang as at the date of this announcement.

3. Guiguan Electric Power is a joint stock limited company incorporated in the PRC in September 1992, and is principally engaged in the investment, construction, operation and management of power energy projects with electricity production and sales as its core business. Its operations include hydropower, thermal power, wind power, photovoltaic power generation and electricity sales. Guiguan Electric Power's A shares are listed on the Shanghai Stock Exchange (stock code: 600236). Guiguan Electric Power is a subsidiary of China Datang as at the date of this announcement.
4. Datang Renewable Power is a joint stock limited company incorporated in the PRC in September 2004. Datang Renewable Power and its subsidiaries are primarily engaged in the development, investment, construction and management of wind power and other renewable energy sources; research and development, application and promotion of low carbon technology; research, sale, testing and maintenance of renewable energy-related equipment; power generation; design, construction and installation, repair and maintenance of domestic and overseas power projects; import and export services of renewable energy equipment and technology; foreign investment; renewable energy-related consulting services. Datang Renewable Power is a subsidiary of China Datang as at the date of this announcement.
5. DEC Academy of Science and Technology is a limited liability company incorporated in the PRC in August 2015. As at the date of this announcement, each of Dongfang Electric and Dongfang Electric Corporation owns DEC Academy of Science and Technology as to approximately 91.95% and approximately 8.05%, respectively. The main business scope of DEC Academy of Science and Technology includes information security equipment; development, technical consultation, technical services, technical promotion and technology transfer of computer software and hardware, the Internet of Things and new energy technologies; information system integration; engineering and technical research and experimental development; water pollution control; air pollution control; industrial design services; project management services; intellectual property services; business management consulting; sales of electromechanical equipment, electronic appliances, computer software and hardware. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, DEC Academy of Science and Technology and its ultimate beneficial owners are independent third parties as at the date of this announcement.

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 wholly state-owned company established under the laws of the PRC, whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and the controlling shareholder and a promoter of the Company. For details, please refer to the section headed “Information of the JV Partners” in this announcement
“China Datang Group”	China Datang and its subsidiaries
“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 Power”	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, whose H shares are listed on the Stock Exchange (stock code: 991) and the London Stock Exchange (stock code: DAT) and whose A shares are listed on the Shanghai Stock Exchange (stock code: 601991). For details, please refer to the section headed “Information of the JV Partners” in this announcement
“Datang Renewable Power”	China Datang Corporation Renewable Power Co., Limited* (中國大唐集團新能源股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Stock Exchange (stock code: 1798). For details, please refer to the section headed “Information of the JV Partners” in this announcement
“DEC Academy of Science and Technology”	DEC Academy of Science and Technology Co., Ltd. (東方電氣集團科學技術研究院有限公司), a limited liability company incorporated in the PRC. For details, please refer to the section headed “Information of the JV Partners” in this announcement

“Dongfang Electric”	Dongfang Electric Corporation Limited (東方電氣股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares are listed on the Stock Exchange (stock code: 1072) and A shares are listed on the Shanghai Stock Exchange (stock code: 600875)
“Dongfang Electric Corporation”	Dongfang Electric Corporation (中國東方電氣集團有限公司), a wholly state-owned limited company incorporated in the PRC, and the controlling shareholder of Dongfang Electric
“Director(s)”	the director(s) of the Company
“Group”	the Company and all or any of its subsidiaries
“Guiguan Electric Power”	Guangxi Guiguan Electric Power Co., Ltd. (廣西桂冠電力股份有限公司), a joint stock limited company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600236). For details, please refer to the section headed “Information of the JV Partners” in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	an individual or a company which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company
“Joint Venture Agreement”	a joint venture agreement for the Transaction entered into between the JV Partners and the Company
“JV Company”	China Datang Technology Innovation Co., Ltd.* (中國大唐集團科技創新有限公司), a limited liability company to be established in the PRC, the name of which shall be subject to approval by the relevant market supervision and administration authority
“JV Partners”	China Datang, Datang Power, Guiguan Electric Power, Datang Renewable Power and DEC Academy of Science and Technology
“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, the 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 the JV Partners
“%”	per cent

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

Beijing, the PRC, 28 December 2023

As at the date of this announcement, the executive Director is Mr. Zhu Liming; the non-executive Directors are Mr. Wang Junqi, Mr. Shen Zhen, 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 websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dteg.com.cn).

* *For identification purposes only*