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DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

(於中華人民共和國註冊成立之股份有限公司)

(股份代號：00895)

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

(Stock code: 00895)

BUSINESS UPDATE

ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT ON THE EQUITY TRANSFER AGREEMENT

References are made to (i) the announcement on connected transaction of Dongjiang Environmental Company Limited (the “**Company**”) dated 21 September 2018 in relation to the entering into of the Equity Transfer Agreement and the Supplemental Agreement on the Equity Transfer Agreement (the “**Original Supplemental Agreement**”); (ii) the supplemental announcement on connected transaction dated 8 October 2018; and (iii) the announcement on connected transaction dated 14 December 2018 regarding non-exercise of the right of first refusal. Capitalised terms used herein shall have the same meanings as those defined in the announcements above unless the context requires otherwise.

As disclosed in the Company's announcement on connected transaction dated 14 December 2018 regarding non-exercise of the right of first refusal, Hong Kong ALBA issued a formal notice regarding the sale of Sales Equity to the Company, indicating its intention to transfer 9.30% of the equity interest of Jieyang ALBA to a third-party purchaser through public listing.

In accordance with the Articles of Association of Jieyang ALBA, the Company shall have the right of first refusal with respect to the transfer of equity interest by other joint venture partners to any third party, pursuant to which the Company may purchase the transferred equity interest on the same terms as offered by a third-party purchaser. On 14 December 2018, the Company informed Hong Kong ALBA in writing that the Company would not exercise the right of first refusal.

According to the latest progress, through listing and bidding for public transactions, Hong Kong ALBA has determined that the transferee of 9.30% of the equity interest of Jieyang ALBA was Jieyang Chuangyi Environmental Protection Technology Co., Ltd.* (揭陽市創益環保科技有限公司) (“**Chuangyi Environmental Protection**”). Hong Kong ALBA has entered into relevant Equity Transfer Agreements with Chuangyi Environmental Protection. The formalities for registration of industrial and commercial changes have been completed.

As at the date of this announcement, Hong Kong ALBA holds 53.60% of the equity interest of

Jieyang ALBA. The Company holds 37.10% of the equity interest of Jieyang ALBA and Chuangyi Environmental Protection holds 9.30% of the equity interest of Jieyang ALBA.

Entering into the second Supplemental Agreement to the Equity Transfer Agreement

In view of changes in shareholders of Jieyang ALBA, the new shareholder, Chuangyi Environmental Protection is to confirm and comply with the original supplemental agreement, who shall agree on the respective rights and obligations in connection with its 9.30% of the equity interest of Jieyang ALBA. Therefore, the Company entered into the second Supplemental Agreement on the Equity Transfer Agreement with Hong Kong ALBA and Chuangyi Environmental Protection to replace the original Supplemental Agreement. The second Supplemental Agreement on the Equity Transfer Agreement shall not increase the rights and obligations of the Company.

If, as of 31 December 2018, the Target Company and Jieyang Power Supply Bureau of Guangdong Power Grid Co., Ltd* (廣東電網有限責任公司揭陽供電局) have not entered into a Power Purchase and Sale Agreement, the Company is entitled to request Hong Kong ALBA to repurchase the Sales Equity immediately, which the Company purchased from Hong Kong ALBA. Hong Kong ALBA shall pay the equity repurchase payment in full to the Company within 15 days if the Company has requested for the equity repurchase. If Hong Kong ALBA fails to pay the Equity Repurchase Payment on time, the Company has the right to request Hong Kong ALBA to pay the corresponding penalty to the Company at an annual interest rate of 7% of the amount of investment the Company has made to the Target Company, until Hong Kong ALBA has paid the Equity Repurchase Payment to the Company. After the abovementioned equity repurchase request has been made by the Company, but before the Sales Equity formally returned to Hong Kong ALBA, and subsequent to signing of the power purchase and sale agreement between the Target Company and Jieyang Power Supply Bureau of Guangdong Power Grid Co., Ltd* (廣東電網有限責任公司揭陽供電局), the Company agrees to withdraw the request of equity repurchase.

The registered capital currently agreed by the Target Company is RMB168,000,000. After the three parties fulfill the capital contribution obligations according to their respective equity ratio, if the total investment of the Target Company exceeds RMB498,000,000, the three parties undertake that for the amount exceeding RMB498,000,000, 33.33% of such exceeding amount shall be settled by the three parties by making additional investment in accordance with their respective equity ratios; 66.67% of such exceeding amount shall be settled by the corresponding financing to be obtained by the Target Company as procured by Hong Kong ALBA. However, if the three parties need to make additional investment in proportion to their respective shareholding, the parties will enter into relevant separate agreements. The Company will comply with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited as and when appropriate.

In consideration of the Target Company and Jieyang Power Supply Bureau of Guangdong Power Grid Co., Ltd* (廣東電網有限責任公司揭陽供電局) had entered into a Power Purchase and Sale Agreement in October 2018, the equity repurchase term above has not been implemented.

Information of the parties of the supplemental agreement on the equity transfer agreement

The Company is a joint stock limited Company incorporated in the PRC. The Company 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.

Hong Kong ALBA is primarily engaged in disposal and comprehensive utilization of domestic waste.

Chuangyi Environmental Protection is primarily engaged in (i) energy-saving technology promotion services in the PRC; (ii) manufacturing and research and development of special equipment for environmental protection; (iii) sewage treatment and recycling; and (iv) industrial investment and (v) investment consultation services.

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

Guangdong, Shenzhen, the PRC
18 March 2019

As at the date of this notice, the Board of Directors of the Company comprises one executive Director, being Mr. Tan Kan; four non-executive Directors, being Mr. Liu Boren, Mr. Huang Yiming, Mr. Lu Bei and Mr. Jin Yongfu and three independent non-executive Directors, being Mr. Zhu Zhengfu, Mr. Qu Jiu Hui and Mr. Wong Hin Wing.

**For identification purpose only*