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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)

CONNECTED TRANSACTION CAPITAL INCREASE AGREEMENT

CAPITAL INCREASE AGREEMENT

On 25 December 2019, the Company entered into the Capital Increase Agreement with Hong Kong ALBA and Chuangyi Environmental Protection, pursuant to which the parties agreed that each of the Company, Hong Kong ALBA and Chuangyi Environmental Protection shall increase their respective capital contribution to Jieyang ALBA in the total sum of RMB50 million. Upon the performance by each of the parties under the Capital Increase Agreement, the registered capital of Jieyang ALBA will be increased to RMB218 million.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Hong Kong ALBA is a jointly controlled entity indirectly held as to 50% by the Company's substantial shareholder Guangdong Rising Assets. Pursuant to Chapter 14A of the Listing Rules, Hong Kong ALBA is an associate of Guangdong Rising Assets and is therefore deemed to be a connected person of the Company. Accordingly, the Capital Increase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) of the Capital Increase Agreement and the transactions contemplated thereunder are more than 0.1% but less than 5%, pursuant to Chapter 14A of the Listing Rules, the Capital Increase is subject to reporting, announcement and annual review requirements, but is exempted from circular and independent shareholders' approval requirements.

BACKGROUND

References are made to (i) the announcement on a connected transaction of the Company dated 21 September 2018 in relation to the entering into of an equity transfer agreement and a supplemental agreement to the equity transfer 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.

Jieyang ALBA is a limited company incorporated by Hong Kong ALBA under the laws of the PRC on 21 December 2015 with a registered capital of RMB168 million. As disclosed in the announcement of the Company dated 21 September 2018, the Company entered into an equity

transfer agreement and a supplemental agreement to the equity transfer agreement with Hong Kong ALBA to acquire 37.10% equity interest of Jieyang ALBA with a consideration of RMB62,328,000. As at the date of this announcement, the Company, Hong Kong ALBA and Chuangyi Environmental Protection hold 37.10%, 53.60% and 9.3% equity interest of Jieyang ALBA, respectively.

CAPITAL INCREASE AGREEMENT

Date

25 December 2019 (after trading hours)

Parties

- (a) the Company
- (b) Hong Kong ALBA
- (c) Chuangyi Environmental Protection

Subject matter

Pursuant to the Capital Increase Agreement, the parties agreed to increase the capital of Jieyang ALBA in the following manner:

- (a) the parties unanimously agreed to increase the registered capital of Jieyang ALBA by RMB50 million to RMB218 million. Each of shareholders shall make capital contribution based on their respective shareholdings;
- (b) the Company agreed to make capital contribution of RMB18,550,000 in cash. In particular, the first phase of contribution of RMB11,130,000 shall be paid by 3 January 2020, and the second phase of contribution of RMB7,420,000 shall be paid after all the directors of the board of directors of Jieyang ALBA unanimously agreed by way of a resolution to submit a capital investment request to its shareholders;
- (c) Hong Kong ALBA agreed to make capital contribution of RMB26,800,000 in cash. In particular, the first phase of contribution of RMB16,080,000 shall be paid by 3 January 2020, and the second phase of contribution of RMB10,720,000 shall be paid after all the directors of the board of directors of Jieyang ALBA unanimously agreed by way of a resolution to submit a capital investment request to its shareholders; and
- (d) Chuangyi Environmental Protection agreed to make capital contribution of RMB4,650,000 in cash. In particular, the first phase of contribution of RMB2,790,000 shall be paid by 3 January 2020, and the second phase of contribution of RMB1,860,000 shall be paid after all the directors of the board of directors of Jieyang ALBA unanimously agreed by way of a resolution to submit a capital investment request to its shareholders.

The amount of capital contribution to Jieyang ALBA is determined by the parties after arm's length negotiation with reference to the operation requirements of Jieyang ALBA and based on the current shareholdings of each of the parties.

Obligations in the event of default

If any party fails to pay the capital increase in full pursuant to this agreement, from the next day after the overdue to the 183th day, based on the actual amount due to Jieyang ALBA, 0.01%

shall be paid to each of the non-defaulting parties and Jieyang ALBA on a daily basis as liquidated damages. The defaulting party shall pay the full amount of the capital increase and the liquidated damages due to the target company to the agreed capital verification account, and shall pay the liquidated damages payable to the non-defaulting parties to the bank account designated by the non-defaulting party at that time.

The defaulting party agrees that, from the 184th day after the overdue of payment of the capital increase in full, it shall be deemed that the defaulting party have agreed and confirmed that it has waived all of its right of the capital contribution. The defaulting party has agreed to transfer all of its right of the capital contribution to other non-defaulting parties without consideration.

The parties in compliance have the right to fully or partially subscribe to the capital contribution from the defaulting party, and the specific matters shall be negotiated separately by the non-defaulting parties; if the non-defaulting parties fail to reach an agreement, the priority subscription amount to the caption contribution waived by the defaulting party among the non-defaulting parties shall be calculated based on the proportion of relative shareholding in the target company held by the non-defaulting parties, and the non-defaulting parties may subscribe in full or in part within its priority subscription amount.

Shareholding structure of Jieyang ALBA prior to and immediately after the Capital Increase

The following table is the summary of the changes of registered capital of Jieyang ALBA prior to and immediately after the completion of the Capital Increase:

Shareholders	Capital contribution prior to the completion of the Capital Increase	Shareholding prior to the completion of the Capital Increase	Capital contribution after the completion of the Capital Increase	Shareholding after the completion of the Capital Increase
	<i>RMB'0000</i>	<i>%</i>	<i>RMB'0000</i>	<i>%</i>
The Company	6,232.8	37.1%	8,087.8	37.1%
Hong Kong ALBA	9,004.8	53.6%	11,684.8	53.6%
Chuangyi Environmental Protection	1,562.4	9.3	2,027.4	9.3

As shown above, upon completion of the Capital Increase, the equity interests in Jieyang ALBA held by the Company will remain as 37.10%.

Reasons and Benefits of Entering into the Capital Increase Agreement

Based on the fact that the project of Jieyang Luyuan Waste Comprehensive Treatment and Resources Utilization Plant implemented by Jieyang ALBA has entered the trial production stage, in order to accelerate the construction in progress and ensure the smooth implementation, timely completion and commencement of official operation of the whole project, additional capital is needed for the construction as the current registered capital and relevant loans of the project cannot satisfy the need of construction.

The Board (including the independent non-executive Directors) considers that the terms of the Capital Increase Agreement were entered into after an arm's length negotiation and the terms therein are fair and reasonable, the said transactions contemplated under the Capital Increase Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and is beneficial to the operation and long-term development of the Group and in the interests of the Company and its Shareholders as a whole.

Information of Jieyang ALBA

Jieyang ALBA is a limited company incorporated by Hong Kong ALBA under the laws of the PRC on 21 December 2015. As at the date of this announcement, the Company, Hong Kong ALBA and Chuangyi Environmental Protection hold 37.10%, 53.60% and 9.3% equity interest of Jieyang ALBA, respectively. Jieyang ALBA is mainly engaged in the domestic waste incineration power generation business in the PRC.

The table below sets out the financial information of Jieyang ALBA prepared in accordance with the PRC Accounting Standards:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the 9 months ended 30 September 2019
	(RMB'0000) <i>(Audited)</i>	(RMB'0000) <i>(Audited)</i>	(RMB'0000) <i>(Unaudited)</i>
Net assets	78,578	12,134	14,077
Net profit/(loss)	(699)	(724)	(858)

Information of the Parties

The Company

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

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

Chuangyi Environmental Protection

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; (iv) industrial investment; and (v) investment consultation services. Mr. Huang, Haibin is the ultimate controlling shareholder of Chuangyi Environmental Protection, holding 45% equity interest of Chuangyi Environmental Protection.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Hong Kong ALBA is a jointly controlled entity indirectly held as to 50% by the Company's substantial shareholder Guangdong Rising Assets. Pursuant

to Chapter 14A of the Listing Rules, Hong Kong ALBA is an associate of Guangdong Rising Assets and is therefore deemed to be a connected person of the Company. Accordingly, the Capital Increase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) of the Capital Increase Agreement and the transactions contemplated thereunder are more than 0.1% but less than 5%, pursuant to Chapter 14A of the Listing Rules, the Capital Increase is subject to reporting, announcement and annual review requirements, but is exempted from circular and independent shareholders' approval requirements.

In addition, as executive Director Tan Kan, Yao Shu, non-executive Directors Liu Bo Ren and Huang Yi Ming are deemed to be materially interested in the Capital Increase Agreement and the transactions contemplated thereunder, these Directors have abstained from voting in the Board meeting in respect of the resolutions to approve the Capital Increase Agreement and the transactions contemplated thereunder. There are no other Directors need to abstain from voting.

DEFINITIONS

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

“connected person”	has the meaning ascribed to this term in the Listing Rules
“Board”	the board of directors of the Company
“Capital Increase”	the proposed capital increase in Jieyang ALBA to be contributed by the Company, Hong Kong ALBA and Chuangyi Environmental Protection in an amount of RMB50 million as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 25 December 2019 entered into by the Company, Hong Kong ALBA and Chuangyi Environmental Protection
“Chuangyi Environmental Protection”	Jieyang Chuangyi Environmental Protection Technology Co., Ltd.*(揭陽市創益環保科技有限公司), a limited company incorporated in the PRC
“Company”	Dongjiang Environmental Company Limited*(東江環保股份有限公司), 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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its existing subsidiaries
“Guangdong Rising Assets”	Guangdong Rising Assets Management Co., Ltd., (廣東省廣晟資產經營有限公司), a limited company incorporated in the PRC, a substantial shareholder of the Company as at the date of this announcement

“Hong Kong ALBA”	ALBA Rising Green Fuel (Hong Kong) Ltd., (歐晟綠色燃料(香港)有限公司), a limited company incorporated in Hong Kong with 50% joint controlled entity indirectly held by the Company’s substantial shareholder Guangdong Rising Assets
“Jieyang ALBA”	ALBA Rising Green Fuel (Jieyang) Ltd., (歐晟綠色燃料(揭陽)有限公司), a limited company incorporated in PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the StockExchange
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Shenzhen, People’s Republic of China
26 December 2019

As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, being Mr. Tan Kan, Mr. Yao Shu; 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*