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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
RENEWAL OF FINANCIAL SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 23 January 2019 and the circular of the Company dated 1 March 2019 in relation to the entering into the 2019 Financial Services Agreement between the Company and Rising Finance in relation to the provision of the financial services by Rising Finance to the Company. The term of the 2019 Financial Services Agreement is from 19 March 2019 to 18 March 2020.

The Board announces that on 25 February 2020, the Company entered into the Financial Services Agreement with Rising Finance, in relation to the provision of Financial Services by Rising Finance to the Group with a term of one year taking effect upon the Financial Services Agreement having been approved by the independent Shareholders at the EGM

Listing Rules Implications

As at the date of this announcement, Rising Finance is a direct wholly-owned subsidiary of Guangdong Rising Assets, the substantial Shareholder of the Company. Hence, pursuant to the Rule 14A.07(4) of the Listing Rules, Rising Finance is a connected person of the Company. As such, the entering into of the Financial Services Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) of the Deposit Services under the Financial Services Agreement on an annual basis exceeds 0.1% but is or are less than 5%, such services under the Financial Services Agreement is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the Settlement Services and Other Financial Services under the Financial Services Agreement on an annual basis is or are lower than 0.1%, such services under the Financial Services Agreement are exempt from the reporting, announcement, annual review requirements, circular (including independent

financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the Credit Facility Services provided by Rising Finance to the Group under the Financial Services Agreement are on normal commercial terms, and there are no assets of the Group accredited to Rising Finance as collateral in respect of such Credit Facility Services under the Financial Services Agreement. As such, the Credit Facility Services provided by Rising Finance to the Group under the Financial Services Agreement represents financial assistance provided by a connected person for the benefit of the Group and are therefore fully exempted from all the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to the Rule 14A.90 of the Listing Rules.

Rising Finance is a Related Party of the Company. According to the Rule 10.2.5 of Shenzhen Listing Rules, the entering into the Financial Services Agreement between the Company and Rising Finance is a Related Transaction and is subject to independent Shareholders' approval.

BACKGROUND

Reference is made to the announcement of the Company dated 23 January 2019 and the circular of the Company dated 1 March 2019 in relation to the entering into the 2019 Financial Services Agreement between the Company and Rising Finance in relation to the provision of the financial services by Rising Finance to the Company. The term of the 2019 Financial Services Agreement is from 19 March 2019 to 18 March 2020.

On 25 February 2020, the Company entered into the Financial Services Agreement with Rising Finance, in relation to the provision of Financial Services by Rising Finance to the Company with a term of one year commencing from the date on which the Financial Services Agreement having been approved by the independent Shareholders at the EGM.

The 2019 Financial Services Agreement shall be terminated upon the independent Shareholders approving the resolution in relation to the entering into of the Financial Services Agreement at the EGM.

Financial Services Agreement

(a) Major Terms

The major terms of the Financial Services Agreement are summarized as follows:

Date	25 February 2020
Parties	(a) the Company; and (b) Rising Finance
Duration	One year taking effect upon the Financial Services Agreement having been approved by the independent Shareholders at the EGM
Pricing policy and pricing principle	Deposit Services: The deposit rate of the deposit services provided by Rising Finance to the Group is determined based on the RMB deposit benchmark rate promulgated by the People's Bank of China, and shall not be lower than the deposit rate available to the Group from major commercial banks and financial institutions of the PRC for the same

period and of similar nature.

Credit Facility Services: Rising Finance undertakes to provide preferential credit interest rates and other rates for loans, bills acceptance, bills discounting etc. provided to the Group, which shall not be higher than the credit interest rates and other rates available to the Group from other financial institutions of the PRC for the same period and of similar nature.

Settlement Services: The settlement fees charged by Rising Finance for the provision of Settlement Services to the Group shall not be higher than the service fees available to the Group from other national financial institutions of the PRC.

Other Financial Services: The fees charged for the provision of other financial services shall be in compliance with the fees standard prescribed by the People's Bank of China or the China Banking Regulatory Commission in respect of such services and shall in no event be higher than the fees charged by the and national financial institutions of the PRC for the same period and of similar nature.

The fees under the Financial Services Agreement will be settled in cash.

Cooperation Principles

As the Group is in non-exclusive cooperation with Rising Finance, the Group is entitled to be at liberty to engage any other financial services provided by other financial institutions. Under the same terms, the Company shall preferentially engage the financial services provided by Rising Finance.

Rising Finance will provide the abovementioned non-exclusive financial services to the Group based on the following major terms of the Financial Services Agreement:

1. Deposit Services

- (a) The Group will open a deposit account with Rising Finance, and deposit its funds into the deposit account opened with Rising Finance based on the principle of free deposit into and withdrawal from the account. Deposit can be in the form of current deposit, time deposit, call deposit and agreement savings etc.;
- (b) The deposit rate of the Deposit Services provided by Rising Finance to the Group is determined based on the RMB deposit benchmark rate promulgated by the People's Bank of China, and shall be no less than the deposit rate available to the Group from national commercial banks and financial institutions of the PRC for the same period and of similar nature;
- (c) Rising Finance guarantees the safety of the funds deposited by the Group, and the Group may withdraw the deposits on the same day on which its instruction is given to Rising Finance in accordance with its procedural requirements.

2. Settlement Services

- (a) Rising Finance will provide fund payment service and fund collection service, as well as other ancillary services related to settlement operations to the Group;
- (b) The settlement fees charged by Rising Finance for the provision of above Settlement Services to the Group shall not be higher than the service fees available to the Group from national financial institutions of the PRC of the same nature.

3. Credit Facility Services

- (a) Conditional upon satisfying the relevant national laws and regulations, Rising Finance will provide Credit Facility Services to the Group based on the operational and development needs of the Group, while the Group may utilize the comprehensive credit facility provided by Rising Finance to handle loans, bills acceptance, bills discounting, guarantee and financing operations in other forms;
- (b) Rising Finance undertakes to provide preferential credit interest rates and other rates for loans, bills acceptance, bills discounting provided to the Group, which shall not be higher than the credit interest rates and other rates available to the Group from other national financial institutions of the PRC for the same period and of similar nature;
- (c) Both parties will enter into separate implementation agreements to set out the details of the Credit Facility Services.

4. Other Financial Services

- (a) Rising Finance will provide Other Financial Services within its scope of operation to the Group on the instructions or requests of the Group, and before Rising Finance provides Other Financial Services to the Group, both parties shall negotiate and enter into separate implementation agreements to set out detailed terms;
- (b) The fees charged by Rising Finance for the provision of Other Financial Services shall be in compliance with the fees standard prescribed by the People's Bank of China or the China Banking Regulatory Commission in respect of such services.

Conditional upon the compliance with the Financial Services Agreement, the Group and Rising Finance shall enter into further specific contracts or agreements in respect of the provision of relevant specific financial services projects respectively to specify the specific rights and duties of both parties.

(b) *Historical Transaction Amount and Annual Caps*

Historical Transaction Amounts

The historical transaction amounts under the 2019 Financial Services Agreement were as follows:

Period	Maximum daily deposit amount of Deposit Services	Fees paid to Rising Finance for Settlement Services and Other Financial Services	Maximum comprehensive credit facility of comprehensive Credit
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	(RMB)	(RMB)	Facility Services (RMB)
For the period ended 31 December 2019	118,925,103.80	0	310,000,000
the date of this announcement	48,011,035.31	0	250,000,000

Historical Annual Caps:

The historical caps for the transactions under the 2019 Financial Services Agreement are as follows:

Period	Maximum daily deposit amount of Deposit Services (RMB)	Fees paid to Rising Finance for Settlement Services and Other Financial Services (RMB)	Maximum comprehensive credit facility of comprehensive Credit Facility Services (RMB)
For the period ended 31 December 2019	240,000,000	800,000	1,000,000,000
From 1 January 2020 to 18 March 2020	240,000,000	200,000	1,000,000,000

(c) Proposed Annual Caps and Benchmark:

For the period commencing from the EGM and ending on the date of the first anniversary of the EGM, the proposed annual caps of the transactions under the Financial Services Agreement are as follows:

Period	Maximum daily deposit amount of Deposit Services (RMB)	Fees paid to Rising Finance for Settlement Services and Other Financial Services (RMB)	Maximum comprehensive credit facility of comprehensive Credit Facility Services (RMB)
For the period 31 December 2020	240,000,000	800,000	1,000,000,000
From 1 January 2021 to the first anniversary of the EGM	240,000,000	200,000	1,000,000,000

The proposed caps above was determined by reference to the current market condition of such services

and the financial needs of the Company. The Company will authorize the Chairman of the Board or his authorised person to process related procedures and sign related documents with the authorized capacity.

The proposed maximum daily deposit amount of Deposit Services was determined taking into account the following factors including: (i) the historical maximum daily outstanding balances mentioned above; and (ii) estimation of cash amounts of the Group available for deposit after taking into account the business development plans and the growth profile of the Group.

The proposed maximum fees paid to Rising Finance for Settlement Services and Other Financial Services were determined taking into account the following factors including: (i) the historical maximum fees paid to Rising Finance for Settlement Services and Other Financial Services mentioned above; and (ii) an estimation of the demand of Settlement Services and Other Financial Services of the Group after taking into account the business development plans and the operations of the Group.

Risk Assessment and Risk Prevention

Rising Finance has obtained legal and effective qualification, established the corresponding corporate governance structure and internal control system, set up the organization structure aligned with its operation, appointed various required professionals with corresponding competence, and adopted the corresponding risk management and control measures, which are in compliance with the provisions under the Administrative Measures on Finance Companies of Corporate Groups (企業集團財務公司管理辦法). As Rising Finance maintains normal operation, and has sufficient funds, sound internal control, healthy asset quality, high capital adequacy, and adequate provision, the risk of conducting financial services business with it is controllable.

To effectively prevent, timely control and resolve the risk of the deposits deposited with Rising Finance by the Company, to guarantee the safety of the funds, and also to protect the interests of the Shareholders, the Company formulated the Risk Assessment Report on Developing Financial Business Including Deposit at Guangdong Rising Finance Co., Ltd by combining the relevant requirements of regulatory institutions including the China Securities Regulatory Commission.

Internal Control Measures

In accordance with the Listing Rules, the Group will comply at all times with the applicable provisions under Rules 14A.34 and 14A.51 to 14A.59 of the Listing Rules in respect of the transactions contemplated under the Financial Services Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following guidelines and principles in monitoring the transactions between the Group and Rising Finance, namely:

- the Company will report the transactions under the Financial Services Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary);
- the transactions contemplated thereunder the Financial Services Agreement will be reviewed by the auditors and the independent non-executive Directors of the Company every year and reported in the annual report of the Company which provides a check and balance to ensure that the transactions under the Financial Services Agreement were conducted in accordance with the terms of the Financial Services Agreement, on normal commercial terms (or terms no less favourable than terms available from the independent parties), and in accordance with the pricing principles of the Company pursuant to the Listing Rules; and
- the Company will review the transactions with Rising Finance to identify any transactions that may be at

risk of exceeding the proposed cap(s), and any measures to be taken in respect of such transactions. The Group has established a series of measures and policies to ensure that the transactions will be conducted in accordance with the terms of the Financial Services Agreement.

Reasons for and Benefits of Entering into the Financial Services Agreement

The non-banking financial business of Rising Finance is part of the national financial system, and is subject to continuing and strict regulation by the national regulatory department. The Financial Services Agreement entered into between the Company and Rising Finance specifies that the pricing of various financial services provided by Rising Finance to the Group shall follow the relevant requirements, if any, the same level financial services fees standard promulgated by the People's Bank of China or the China Banking Regulatory Commission, or under the same conditions, be not higher than the same level financial services fees from major national commercial banks or financial institutions of the PRC for the same period.

When Rising Finance handles deposit, settlement, Credit Facility Services and other financial services for the Group, both parties shall conduct the business on an equal and voluntary, complementary, mutually beneficial, as well as cooperative and win-win basis. The implementation of such connected transactions is conducive to meet the operational business development demand of the Company, and to optimize the financial management of the Company, increase capital management gains, and expand financial cooperation institutions scope, as well as provide capital support to the sustainable and sound development of the Company. And it will not prejudice the interests of the Company and its Shareholders, nor effect the independence of the Company.

The Directors (including the independent non-executive Directors) consider that the Financial Services Agreement is entered into on an arm's length basis and is on normal commercial terms, and the terms of the Financial Services Agreement, the proposed caps for the Deposit Services and Settlement Services and Other Financial Services contemplated under the Financial Services Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Information of the Parties

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.

Rising Finance is a non-banking financial institution established under the approval of the China Banking Regulatory Commission, and the company legally holds the Financial License which is continuously effective. According to the laws and regulations related to finance companies of corporate groups, the company is qualified to provide financial services for Guangdong Rising Assets and its member units. Rising Finance handles financial and financing consultancy, credit appraisal and relevant consultancy, agency business for the member units; assists member units in collection and payment of transactions amounts; approved insurance agency business; provides guarantee for member units; handles entrust loans between member units; handles bills acceptance and discounting for member units; handles internal transfer settlement and corresponding settlement, liquidation plans design among member units; attracts deposits from member units; handles loan and financing lease for member units; engages in inter-bank lending; other businesses approved by the China Banking Regulatory Commission.

Listing Rules Implications

As at the date of this announcement, Rising Finance is a direct wholly-owned subsidiary of Guangdong Rising

Assets, the substantial Shareholder of the Company. Hence, pursuant to the Rule 14A.07(4) of the Listing Rules, Rising Finance is a connected person of the Company. As such, the entering into of the Financial Services Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) of the Deposit Services under the Financial Services Agreement on an annual basis exceeds 0.1% but is or are less than 5%, such services under the Financial Services Agreement is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the Settlement Services and Other Financial Services under the Financial Services Agreement on an annual basis is or are lower than 0.1%, such services under the Financial Services Agreement are exempt from the reporting, announcement, annual review requirements, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the Credit Facility Services provided by Rising Finance to the Group under the Financial Services Agreement are on normal commercial terms, and there are no assets of the Group accredited to Rising Finance as collateral in respect of such Credit Facility Services under the Financial Services Agreement. As such, the Credit Facility Services provided by Rising Finance to the Group under the Financial Services Agreement represents financial assistance provided by a connected person for the benefit of the Group and are therefore fully exempted from all the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to the Rule 14A.90 of the Listing Rules.

Rising Finance is a Related Party of the Company. According to the Rule 10.2.5 of Shenzhen Listing Rules, the entering into the Financial Services Agreement between the Company and Rising Finance is a Related Transaction and is subject to independent Shareholders' approval.

As (1) Mr. Tan Kan (executive Director) was nominated by Guangdong Rising Assets and elected at a general meeting of the Company and was appointed by the Party Committee of Guangdong Rising Assets as the Secretary of Party of the Company; (2) Mr. Yao Shu (executive Director) was nominated by Guangdong Rising Assets and elected at a general meeting of the Company and was appointed by the Party Committee of Guangdong Rising Assets as the Deputy Secretary of Party of the Company; and (3) Mr. Liu Boren and Mr. Huang Yiming (both non-executive Directors) have positions in Guangdong Rising Assets and its subsidiaries, they are deemed to be materially interested in the transactions contemplated under the Financial Services Agreement and have therefore abstained from voting on the relevant Board resolutions for approval of the Financial Services Agreement and the relevant proposed caps. Save as disclosed above, no Directors have significant interests in the Financial Services Agreement and transactions contemplated thereunder and shall abstain from voting on the relevant Board resolution for approval of the Financial Services Agreement and the relevant proposed caps.

DEFINITIONS

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

“2019 Financial Services Agreement”	the financial services agreement entered into between the Company and Rising Finance on 23 January 2019 in respect of the provision of the financial services by Rising Finance to the Company
“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
“Credit Facility Services”	the credit business including loans, bills acceptance, bills discounting, etc. provided by Rising Finance to the Company pursuant to the Financial Services Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit of money service provided by Rising Finance to the Company pursuant to the Financial Services Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held in 2020 (or any adjourned meeting) for the Shareholders to consider, and, if thought fit, to approve, among other things, the entering into the Financial Services Agreement and related transactions contemplated thereunder.
“Financial Services”	the Deposit Services, Settlement Services, Credit Facility Services and Other Financial Services under the Financial Services Agreement
“Financial Services Agreement”	the financial services agreement entered into between the Company and Rising Finance on 25 February 2020 in respect of the provision of the Financial Services by Rising Finance to the Company
“Group”	the Company and its subsidiaries
“Guangdong Rising Assets”	Guangdong Rising Assets Management Co., Ltd., a limited company established in the PRC, a substantial shareholder of the Company as at the date of this announcement
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Other Financial Services”	all other financial services provided by Rising Finance to the Company pursuant to the Financial Services Agreement other than the Deposit Services, the Settlement Services and the Credit Facility Services
“Related Person(s) / Related Party(ies)”	has the meaning ascribed to it under the Shenzhen Listing Rules
“Related Transaction(s)”	the transaction between the Company and its controlling subsidiary and the Related Person(s), Related Party(ies) under the Shenzhen Listing Rules
“Rising Finance”	Guangdong Rising Finance Co., Ltd., a limited company incorporated in the PRC, and a direct wholly-owned subsidiary of Guangdong Rising Assets
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Services”	the payment service and collection service as well as other ancillary services related to settlement business provided by Rising Finance to the Company pursuant to the Financial Services Agreement
“Share(s)”	the share(s) of the Company, unless specified otherwise, including A Shares and H Shares
“Shareholder(s)”	the holders of Share(s)
“Shenzhen Listing Rules”	the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Shenzhen, the PRC
25 February 2020

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 purposes only*