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**DONGJIANG ENVIRONMENTAL COMPANY LIMITED\***

**東江環保股份有限公司**

*(a joint stock limited com !*

# **(1) 2023 WASTE TREATMENT AND DISPOSAL SERVICE AGREEMENTS**

## **2023 Waste Treatment and Disposal Service Agreement A**

The Company wishes to clarify that:

### **1. Amount**

The service area of Shaoguan Renewable Resources under the 2023 Waste Treatment and Disposal Service Agreement A shall be a fixed service area of 56,435 square meters instead of “not exceed 56,435 square meters”.

### **2. Service fee**

The total service fee payable by Shaoguan Smelter to Shaoguan Renewable Resources under the 2023 Waste Treatment and Disposal Service Agreement A shall be a fixed amount of RMB4,345,495 (inclusive of tax) instead of “not exceed RMB4,345,495 (inclusive of tax)”.

## **2023 Waste Treatment and Disposal Service Agreement B**

The Company wishes to clarify that:

### **1. Amount**

The service area of Shaoguan Renewable Resources under the Waste Treatment and Disposal Service Agreement B shall be a fixed service area 78,655 square meters instead of “not exceed 78,655 square meters”.

### **2. Service fee**

The total service fee payable by Shaoguan Smelter to Shaoguan Renewable Resources under the 2023 Waste Treatment and Disposal Service Agreement B shall be a fixed amount of RMB6,764,330 (inclusive of tax) instead of “not exceed RMB6,764,330 (inclusive of tax)”.

## **(2) WASTE TREATMENT AND DISPOSAL SERVICE AGREEMENT**

### **Listing Rules implications**

The Company wishes to clarify that, as the provision of Services under the Waste Treatment and Disposal Service Agreement is conducted on a continuing or recurring basis and are expected to extend over a period of time, the Waste Treatment and Disposal Service Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Waste Treatment and Disposal Service Agreement (based on the annual cap), the 2023 Waste Treatment and Disposal Service Agreements and the transactions contemplated thereunder, on an aggregate basis, are more than 0.1% but all are less than 5%, the Waste Treatment and Disposal Service Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements, but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Service fee and pricing basis**

The service fee payable by Shaoguan Smelter to Shaoguan Renewable Resources under the Waste Treatment and Disposal Service Agreement is determined based on the amount of Services to be provided and the prevailing market unit prices of the Services (per ton of waste) (the **"Unit Price"**) to be provided. The Unit Price was determined on an arm's length basis with reference to the Group's costs of provision of such Services plus a profit margin. The applicable profit margin for each transaction is formulated with reference to, amongst others: (i) the credit terms of the provision of Services; (ii) the marketing condition and competition in the waste treatment industry; (iii) the track record of customers (if any); (iv) the requested requirements and specifications for the Services; (v) the Group's financial condition, business strategy and operation plan; and (vi) any other factors affecting prices of the Services.

The Company has also reviewed and was satisfied that the Unit Price and terms (including the profit margin enjoyed by the Group) for the provision of Services to Shaoguan Smelter under the Waste Treatment and Disposal Service Agreement were no less favourable to the Group than recent transaction records of services of similar nature offered by the Group to independent third-party customers in the trading database of the Group.

## **Annual cap**

The maximum transaction amount (annual cap) for the provision of waste treatment, transportation and disposal services to Shaoguan Smelter for the period from 20 January 2024 to 31 December 2024 is RMB391,000.

The annual cap was determined with reference to (i) the Unit Price for the Services; and (ii) Shaoguan Smelter's estimated demand for the Services based on the expected amount of acid resistant bricks to be transported and processed by Shaoguan Sustainable Resource of approximately 460 tons for the period from 20 January 2024 to 31 December 2024. The Company estimates that no transaction amount will arise from the provision of Services under the Waste Treatment and Disposal Service Agreement in 2025.

The historical transaction amount for the provision of waste treatment, transportation and disposal services by the Group to Shaoguan Smelter was RMB1,809,486 for the year ended 31 December 2023. The annual cap only covers the estimated transaction amount under the Waste Treatment and Disposal Service Agreement. If the Company expects that the transaction amount in respect of waste treatment and disposal service for 2024 will exceed the annual cap, the Company will revise the annual cap in compliance with all applicable requirements under the Listing Rules.

## **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 Shaoguan Smelter:

1. the Group will report to the independent non-executive Directors, as appropriate, on the transactions under Waste Treatment and Disposal Service Agreement during each audit and risk management committee meeting;
2. the transactions under the Waste Treatment and Disposal Service 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 such transactions are conducted in accordance with the Waste Treatment and Disposal Service Agreement and on normal commercial terms; and

3. the Group will regularly review the transactions with Shaoguan 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 transactions will be carried out in accordance with the terms of the Waste Treatment and Disposal Service Agreement and within the annual cap.

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

Shenzhen, the PRC  
18 February 2024

*As at the date of this announcement, the Board comprises one executive Director, being Mr. Tan Kan; two non-executive Directors, being Mr. Huang Honggang and Mr. Jin Yongfu; and three independent non-executive Directors, being Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi.*

*\* For identification purposes only*