
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Datang Environment Industry Group Co., Ltd.**, you should at once hand this circular together with the accompanying proxy form and reply slip to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

- (1) REPORT OF THE BOARD FOR 2018**
 - (2) REPORT OF THE SUPERVISORY COMMITTEE FOR 2018**
 - (3) FINAL FINANCIAL ACCOUNTS FOR 2018**
 - (4) FINANCIAL BUDGET REPORT FOR 2019**
 - (5) INDEPENDENT AUDITOR'S REPORT AND
AUDITED FINANCIAL STATEMENTS FOR 2018**
 - (6) PROFIT DISTRIBUTION PLAN FOR 2018 AND THE PROPOSED 2018
FINAL DIVIDEND**
 - (7) REMUNERATION REPORT FOR DIRECTORS, SUPERVISORS AND
SENIOR MANAGEMENT OF THE COMPANY FOR 2018**
 - (8) INVESTMENT PLAN FOR 2019
AND**
 - (9) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
-

A letter from the Board is set out on pages 1 to 10 of this circular.

A notice convening the 2018 AGM of the Company to be held at 3:30 p.m. on Friday, 28 June 2019 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, has been despatched to the Shareholders on 10 May 2019.

If you intend to appoint a proxy to attend the 2018 AGM, you are required to complete and return the form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to the H Share Registrar and for holders of Domestic Shares, the form of proxy should be returned to the Company's board office in the PRC in person or by post not less than 24 hours before the time fixed for holding the 2018 AGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2018 AGM or at any other adjourned meeting should you so wish.

If you intend to attend the 2018 AGM in person or by proxy, you are required to complete and return the reply slip (for holders of H Shares) to the H Share Registrar or (for holders of Domestic Shares) to the Company's board office in the PRC on or before Saturday, 8 June 2019.

* For identification purpose only

6 June 2019

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DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this circular:

“2018 AGM”	the 2018 annual general meeting of the Company to be held at 3:30 p.m. on Friday, 28 June 2019 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC
“Articles of Association”	the articles of association of the Company (as amended, altered or otherwise supplemented from time to time)
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region and Taiwan
“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 Main Board of the Stock Exchange (stock code: 1272)
“Director(s)”	director(s) of the Company
“Domestic Shares”	the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and have not been listed on any stock exchanges
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“IFRS(s)”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State owned Asset Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended or supplemented from time to time)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent



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)

Non-executive Directors:

Mr. Jin Yaohua
Mr. Liu Chuandong
Mr. Liu Guangming
Mr. Li Yi
Mr. Deng Xiandong

Registered Office and Head Office in the PRC:

No. 120 Zizhuyuan Road,
Haidian District,
Beijing,
the PRC

Executive Director:

Mr. Shen Zhen

Principal Place of Business in Hong Kong:

31/F, Tower Two, Times Square,
1 Matheson Street, Causeway Bay,
Hong Kong

Independent Non-executive Directors:

Mr. Ye Xiang
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang

6 June 2019

To the Shareholders

Dear Sir or Madam,

- (1) REPORT OF THE BOARD FOR 2018**
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LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to provide you with further information regarding the following resolutions to be proposed at the 2018 AGM to enable you to make informed decisions on whether to vote for or against or abstain from voting on such resolutions at the 2018 AGM. Such resolutions and relevant details are set out in this Letter from the Board.

II. MATTERS TO BE RESOLVED AT THE 2018 AGM

Ordinary Resolutions

1. *Report of the Board for 2018*

An ordinary resolution will be proposed at the 2018 AGM to approve the Report of the Board for 2018. The resolution was considered and approved by the Board at the eighth meeting of the second session of the Board. The full text of this report is included in the 2018 annual report of the Company published at the Company's website and the HKExnews website of the Stock Exchange on 29 April 2019.

2. *Report of the Supervisory Committee for 2018*

An ordinary resolution will be proposed at the 2018 AGM to approve the Report of the Supervisory Committee for 2018. The resolution was considered and approved by the Supervisory Committee at the eighth meeting of the second session of the Supervisory Committee. The full text of this report is included in the 2018 annual report of the Company published at the Company's website and the HKExnews website of the Stock Exchange on 29 April 2019.

3. *Final Financial Accounts for 2018*

An ordinary resolution will be proposed at the 2018 AGM to approve the final financial accounts for 2018 which were audited in accordance with the IFRSs.

The resolution was considered and approved by the Board at the eighth meeting of the second session of the Board. According to the IFRSs, the revenue for 2018 in the Company's consolidated financial statements amounted to RMB8,588.1 million; cost of sales amounted to RMB7,238.1 million; administrative expenses amounted to RMB279.4 million; financial expense amounted to RMB200.5 million; profit before tax amounted to RMB937.4 million; and total comprehensive income amounted to RMB784.0 million (comprehensive income attributable to equity owners amounted to RMB768.2 million).

LETTER FROM THE BOARD

4. *Financial Budget Report for 2019*

An ordinary resolution will be proposed at the 2018 AGM to approve the financial budget report for 2019. The resolution was considered and approved by the Board at the eighth meeting of the second session of the Board. The financial budget report was prepared with reference to the Company's development goals for 2019 and the principle of the maximisation of values.

5. *The Independent Auditor's Report and the Audited Financial Statements for 2018*

An ordinary resolution will be proposed at the 2018 AGM to approve the independent auditor's report for 2018 and the audited financial statements of the Company for the year ended 31 December 2018. The resolution was considered and approved by the Board at the eighth meeting of the second session of the Board. The full texts of this independent auditor's report and the audited financial statements are included in the 2018 annual report of the Company published at the Company's website and the HKExnews website of the Stock Exchange on 29 April 2019.

6. *Profit Distribution Plan for 2018 and Proposed 2018 Final Dividend*

(1) *Proposed distribution of the Proposed 2018 Final Dividend*

An ordinary resolution will be proposed at the 2018 AGM to approve the profit distribution plan for 2018. The resolution was considered and approved by the Board at the tenth meeting of the second session of the Board.

The Board has proposed to distribute final dividends of the Company for the year ended 31 December 2018 (the "**Proposed 2018 Final Dividend**") at RMB0.11 (tax inclusive) per Share in cash to Shareholders. The Proposed 2018 Final Dividend shall be denominated and declared in RMB. The Proposed 2018 Final Dividend shall be paid by the Company to the holders of Domestic Shares in RMB and shall be denominated in RMB but paid to the holders of H Shares in Hong Kong dollar. The exchange rate of RMB into Hong Kong dollar shall be the average exchange rates as announced by the PBOC for a week prior to the date of 2018 AGM. The Proposed 2018 Final Dividend is subject to the approval of Shareholders at the 2018 AGM on 28 June 2019.

If the proposed profit distribution plan is approved by the Shareholders at the 2018 AGM, the Proposed 2018 Final Dividend is expected to be distributed on or before Friday, 16 August 2019 to the Shareholders whose names appear on the register of the Company on Wednesday, 10 July 2019 (the "**Record Date**").

LETTER FROM THE BOARD

Meanwhile, a resolution will be proposed at the 2018 AGM to grant authority to the Board to execute the above distribution plan.

(2) *Closure of register of H Shares for the proposed distribution of the Proposed 2018 Final Dividend*

In order to ascertain the entitlements of the Shareholders to receive the Proposed 2018 Final Dividend, the register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to receive the Proposed 2018 Final Dividend, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company’s board office in the PRC at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of Domestic Shares), no later than 4:30 p.m. on Thursday, 4 July 2019.

(3) *Tax*

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation regulations (the “**EIT Law**”), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited, other agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise Shareholders (as defined under the EIT Law). When the Company distributes dividends to non-resident enterprise Shareholders, it is liable to withhold enterprise income tax on their behalf at an interest rate of 10%. Any H Shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise Shareholders. Therefore, the Company will distribute dividends to such non-resident enterprises Shareholders after withholding 10% of enterprise income tax. If H Shareholders need to change their Shareholder’s status, they shall consult with the agents or trustees on the procedures. In strict compliance with laws and requirements of relevant government authorities, the Company will withhold the enterprise income tax according to the register of members of the H Shares of the Company as at the Record Date.

LETTER FROM THE BOARD

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the register of members of H Share(s) should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to the H Share Registrar, Computershare Hong Kong Investor Services Limited, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy and Administration of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (《關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

If the individual H Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. Under the above circumstances, if the relevant individual H Shareholders want a refund of the extra amount withheld (the “**Extra Amount**”) due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax treaty to the H Share Registrar. The Company will assist with the tax refund after receiving approval of the competent tax authority. Should the individual H Shareholders be residents of the countries which have an agreed tax rate of over 10% but less than 20% with the PRC under the tax treaty, the Company will withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax treaty. In the case that the individual H Shareholders are residents of the countries which have an agreed tax rate of 20% with the PRC, or which have not entered into any tax treaty with the PRC, or otherwise, the Company will withhold and pay the individual income tax at a rate of 20%.

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The Company will strictly comply with the laws and requirements of the relevant government authorities and withhold and pay enterprise and individual income tax on behalf of the Shareholders based on the register of members of the H Shares on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders or any disputes over the mechanism of withholding of enterprise income tax. The Company assumes no liability whatsoever in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

7. *Remuneration Report for Directors, Supervisors and Senior Management of the Company for 2018*

An ordinary resolution will be proposed at the 2018 AGM to approve the Remuneration Report for Directors, Supervisors and Senior Management of the Company for the year of 2018. The Board considered that the current remuneration policy for Directors, Supervisors and senior management of the Company is reasonable and proposed to continue to implement the current remuneration policy.

The above remuneration plan has been considered by the Remuneration and Evaluation Committee under the Board (the “**Remuneration Committee**”) and passed at the eighth meeting of the second session of the Board. When the Remuneration Committee and the Board took a vote on the above remuneration plan after consideration, the relevant Directors abstained from voting on matters which conflicted with their interests.

8. *Investment Plan for 2019*

An ordinary resolution will be proposed at the 2018 AGM to approve the investment plan for the year of 2019. It is estimated that the total investment plan of the Company for the year of 2019 will amount to RMB1,229.1 million.

Special Resolution

9. *Proposed amendments to the Articles of Association*

As required by and in accordance with the “Notice regarding the Promotion of the Requirements of Incorporation of Party Building Work into the Articles of Associations of State-owned Enterprises” issued by the Organisation Department of the CPC Central Committee and the Party Committee of the SASAC of the State Council (Zu Tong Zi [2017] No. 11) (中共中央組織部、國務院國資委黨委《關於紮實推動國有企業黨建工作要求寫入公司章程的通知》(組通字[2017]11號)), the “Notice regarding Working Expenses of the

LETTER FROM THE BOARD

Party Organisation of State-owned Enterprises” issued by the Organisation Department of the CPC Central Committee, the Ministry of Finance, the Party Committee of the SASAC of the State Council, the State Taxation Administration (Zu Tong Zi [2017] No. 38) (中共中央組織部、財政部、國務院國資委黨委、國家稅務總局《關於國有企業黨組織工作經費問題的通知》(組通字[2017]38號)), and the “Opinion on the Comprehensive Promotion of Legal Governance of Central Enterprises” issued by the SASAC of the State Council (Guo Zi Fa Gui Wei [2015] No. 166) (國務院國資委《關於全面推進法治央企的意見》(國資發規委[2015]166號)), the Company proposes to make amendments to the Articles of Association. Details are set out as follows:

No.	Before amendments	After amendments
Article 11	In accordance with the provisions of the Constitution of the Communist Party of China (《中國共產黨章程》), the Company shall establish an organisation of the Communist Party of China (“ Party Committee ”). The Party Committee shall play a leading role and function as the political core of the Company, supervising its direction of development, overlooking the whole picture and facilitating implementation. The Company shall equip with sufficient staffs to manage party affairs and provide sufficient working expenses.	In accordance with the provisions of the Constitution of the Communist Party of China (《中國共產黨章程》), the Company shall establish an organisation of the Communist Party of China (“ Party Committee ”). The Party Committee shall play a leading role and function as the political core of the Company , supervising its direction of development, overlooking the whole picture and facilitating implementation <u>as well as discussing and resolving on major issues of the Company as stipulated by its rules and regulations.</u> The Company shall <u>establish a working body of the Party</u> , equip with sufficient staffs to manage party affairs and provide sufficient working expenses <u>according to the proportion of 1% of the total amount of staff salaries of the Company for the previous year.</u>

LETTER FROM THE BOARD

No.	Before amendments	After amendments
Article 116	The Board shall make inquiries with the Party Committee of the Company before making decisions on major issues of the Company.	The Board shall make inquiries with the Party Committee of the Company before making decisions on major issues of the Company. <u>The Company shall establish a legal governance mechanism with developed governance practices, compliant operation, standardised management, legal compliance and integrity and shall adopt the General Counsel system. Where the matters to be considered by the Board involve legal issues, the General Counsel shall present at such Board meetings and provide his legal opinion.</u>

Save for the proposed amendments set out above, the other chapters and articles of the Articles of Association will remain unchanged. The proposed amendments shall be effective upon approval at the general meeting of the Company.

III. 2018 AGM AND ITS METHOD OF VOTING

The 2018 AGM is proposed to be held at 3:30 p.m. on Friday, 28 June 2019 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC by the Company to consider and, if thought fit, to pass the matters set out in the notice of the 2018 AGM. The notice of the 2018 AGM, a proxy form and a reply slip have been dispatched to the Shareholders in accordance with the Listing Rules on 10 May 2019.

Whether or not you intend to attend and/or vote at the 2018 AGM, you are requested to complete and return the proxy form in accordance with the instruction printed thereon.

If you intend to attend the 2018 AGM (in person or by proxy), you are required to complete and return the accompanying reply slip to the H Share Registrar (for the holders of H Shares) or the Company's board office in the PRC (for the holders of Domestic Shares) on or before Saturday, 8 June 2019. If the number of voting Shares represented by the Shareholders who intend to attend the meeting reaches no less than one half of the total number of the Company's voting Shares, the Company may hold the 2018 AGM. If not, the Company shall within five days inform the Shareholders again, by public announcement or otherwise required in the Articles of Association, of the matters to be considered as well as the date and place of the meeting. Upon such notification, the Company may hold the 2018 AGM.

LETTER FROM THE BOARD

If you intend to appoint a proxy to attend the 2018 AGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For the holder of H Shares, the proxy form should be returned to the H Share Registrar, Computershare Hong Kong Investor Services Limited, and for the holder of Domestic Shares, the proxy form should be returned to the Company's board office in the PRC in person or by post as soon as possible and in any event not less than 24 hours before the time appointed for holding the 2018 AGM or any adjourned meeting thereof.

Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the 2018 AGM should you so wish and completion and return of the reply slip do not affect the right of a Shareholder to attend and vote at the 2018 AGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the 2018 AGM pursuant to Article 81 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorised representative) shall have one vote for each Share registered in his/her name in the register of members of the Company. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner.

IV. CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend the 2018 AGM, the register of members of the Company shall be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to attend and vote at the 2018 AGM, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares), or the Company's board office in the PRC at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for the holders of Domestic Shares) no later than 4:30 p.m. on Tuesday, 28 May 2019.

LETTER FROM THE BOARD

V. RECOMMENDATION

The Board (excluding the Directors who are required to abstain, but including independent non-executive Directors) considers that each resolution to be proposed at the 2018 AGM is in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favour of all the resolutions to be proposed at the 2018 AGM.

Yours faithfully,

By order of the Board

Datang Environment Industry Group Co., Ltd.*

Jin Yaohua

Chairman