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## 浙江天潔環境科技股份有限公司

### **Zhejiang Tengy Environmental Technology Co., Ltd**

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

**(Stock Code: 1527)**

**(1) PROPOSED A SHARE OFFERING AND RELATED MATTERS  
(2) PROPOSED AMENDMENTS TO THE ARTICLES  
OF ASSOCIATION AND THE MEETING PROCEDURAL RULES  
AS WELL AS PROPOSED FORMULATION AND IMPLEMENTATION  
OF THE CORPORATE GOVERNANCE RULES  
FOR THE PURPOSE OF THE PROPOSED A SHARE OFFERING  
(3) DISCLOSEABLE AND CONNECTED TRANSACTION  
REGARDING ASSET ACQUISITION**

#### **PROPOSED A SHARE OFFERING**

The Company is pleased to announce that, subject to the Shareholders' approval by way of ordinary or special resolution at the EGM, the Domestic Shareholders' Class Meeting and/or the H Shareholders' Class Meeting (where applicable), it was resolved that the Company will apply to the CSRC and other relevant regulatory authorities for the Proposed A Share Offering.

**As the Proposed A Share Offering are subject to certain conditions precedent, they may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) regarding the detailed terms of the Proposed A Share Offering will be made by the Company as and when applicable. This announcement appears for information purposes only and does not constitute an invitation or an offer to acquire, purchase or subscribe for the securities of the Company.**

#### **ASSET ACQUISITION**

Besides, the Company is pleased to announce that on 15 March 2017, the Company entered into an Asset Acquisition Agreement with TGL, pursuant to which the Company conditionally agreed to acquire from TGL the Subject Assets for the aggregate consideration of RMB79,000,000 (equivalent to approximately HK\$88,764,045) to be financed out of the proceeds of the H Share Offering.

Since one or more of the applicable percentage ratios in respect of the Asset Acquisition exceed 5% but are less than 25% as determined in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Acquisition constitutes a discloseable transaction for the purpose of Chapter 14 of the Hong Kong Listing Rules. Moreover, since TGL is the controlling Shareholder and, hence, a connected person of the Company, the Acquisition also constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **(1) PROPOSED A SHARE OFFERING**

At the Board Meeting, the Board resolved to submit to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively for consideration and approval by the Shareholders by way of special resolution for the Proposed A Share Offering. The Proposed A Share Offering will be made in accordance with the PRC Company Law, the PRC Securities Law, the Offering Measures, the Opinions on Further Promoting the IPO System Reform\* (《關於進一步推進新股發行體制改革的意見》), the Issue and Underwriting Measures and the Measures for Strengthening the Regulation and Supervision on Issue of New Shares\* (《關於加強新股發行監管的措施》) and other relevant laws and regulations of the PRC. Details of the Proposed A Share Offering are set out as follows:

### **A. Type of securities to be issued**

A Shares

### **B. Nominal value per Share**

RMB1.00 per Share

### **C. Stock exchange for the proposed listing of the A Shares**

Shanghai Stock Exchange

### **D. Offering size**

The Company will issue no more than 15,000,000 new A Shares. Such number will be adjusted accordingly to reflect stock dividend, transfer of capital reserve into capital and any other ex-rights events if occurred prior to the Proposed A Share Offering. The actual offering size will be determined by the Board in accordance with the relevant rules and regulations and the authorisation of the general meetings of the Company, and after consideration of the market conditions and consultation with the sponsor(s) and the lead underwriter(s).

The abovementioned offering size is determined on the basis of the Company's present shareholding structure, the funding needs for carrying out the proposed investment projects that are to be funded with proceeds from the Proposed A Share

Offering, the estimated performance of the Company at the time of the Proposed A Share Offering, the estimated valuation of the PRC capital market and a combination of other relevant factors.

Assuming that there are no further changes to the total issued share capital of the Company prior to the completion of the Proposed A Share Offering, the aforesaid maximum number of new A Shares to be issued under the Proposed A Share Offering represents approximately 15.00% and 11.11%, respectively, of the total issued Domestic Shares and the total issued Share capital of the Company as of the date of this announcement and approximately 13.04% and 10.00%, respectively, of the total share capital of the issued Domestic Shares and the total issued share capital of the Company as enlarged by the issue of the A Shares under the Proposed A Share Offering.

**E. Target subscribers**

The target subscribers of the A Shares are inquiring subscribers who satisfy the relevant qualification requirements, as well as natural persons, legal persons and other institutional investors who have opened A Share securities accounts with the Shanghai Stock Exchange (excluding those prohibited by the relevant PRC laws and regulations).

In the event that any connected person of the Company becomes a subscriber of the A Shares, the Company will take every reasonable step to comply with the relevant requirements under the Hong Kong Listing Rules.

**F. Method of offering**

A combination of (i) offline book-building and placement to the inquiring subscribers and (ii) online applications or other offering methods approved by the CSRC.

**G. Pricing methodology**

Having fully considered the interests of existing Shareholders as a whole coupled with the actual circumstances of the Company and the capital market at the time of the Proposed A Share Offering, the issue price of the A Shares under the Proposed A Share Offering will be determined by way of enquiries with offline investors, direct pricing pursuant to negotiations between the Company and the lead underwriter, or other legally practicable methods.

Further announcements regarding the issue price, offering size, pricing mechanism and other particulars of the Proposed A Share Offering will be made by the Company as and when appropriate.

**H. Method of underwriting**

The offering will be underwritten by the lead underwriter(s) on a standby commitment basis.

## **I. Conversion of the form of the Company**

The Company will apply for conversion into a joint stock company with limited liability with both domestic and overseas listed Shares.

## **J. Validity period of the resolution for the Proposed A Share Offering**

The validity period of the resolution for the Proposed A Share Offering is 12 months from the date when that proposal is considered and approved by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

The Directors consider that a validity period of 12 months for the resolution regarding the Proposed A Share Offering is required since there is an uncertainty as to the time required to obtain the approvals from the CSRC and other regulatory authorities of the PRC for the Proposed A Share Offering. The Company will seek the Shareholders' approval on continuation with the Proposed A Share Offering if it does not complete within the 12 months validity period, unless the Board subsequently decides not to proceed further with the proposed A Share Offering. To the best knowledge of the Company and subject to the approval process of the relevant regulatory authorities, the Company expects to complete the Proposed A Share Offering within three years.

## **K. Rights attached to the A Shares to be issued pursuant to the Proposed A Share Offering**

A Shares to be issued pursuant to the Proposed A Share Offering, when fully paid, will rank pari passu in all respects with the Domestic Shares and H Shares now in issue.

The Proposed A Share Offering is subject to approvals from the CSRC and other relevant authorities of the PRC. The Proposed A Share Offering will be made pursuant to the specific mandate to be sought respectively at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting and shall become effective upon approval by the Shareholders thereat. The Company will make further announcements when the detailed terms of the Proposed A Share Offering, such as issue price and issue size, are finalised.

## **(2) OTHER RESOLUTIONS PURSUANT TO THE PROPOSED A SHARE OFFERING AND RELATED MATTERS**

In connection with the Proposed A Share Offering, the Board also passed the following resolutions at the Board Meeting (1) grant of authorisation to the Board to deal with all matters relating to the Proposed A Share Offering; (2) plan for distribution of profits accumulated before the Proposed A Share Offering; (3) use of proceeds of the Proposed A Share Offering and the feasibility analysis; (4) future dividend plan for the three years after the Proposed A Share Offering; (5) A Share price stabilisation plan for the three years after the Proposed A Share Offering; (6) dilution of immediate return as a result of the Proposed A Share Offering and remedial measures; (7) report on the use of proceeds of the H Share Offering; (8) undertakings regarding the disclosure of

information in the A Share Offering Prospectus; (9) appointment of domestic auditor; (10) report on the related party transactions for the period from 1 January 2014 to 31 December 2016; (11) proposed amendments to the Articles of Association and the Meeting Procedural Rules pursuant to the Proposed A Share Offering; and (12) proposed formulation and implementation of the Corporate Governance Rules pursuant to the Proposed A Share Offering.

The Board also resolved to submit the foregoing resolutions to the EGM, the Domestic Shareholders' Class Meeting and/or the H Shareholders' Class Meeting (where applicable) for consideration and approval by the Shareholders. The proposals of (1) to (3) and (11) above are to be approved by the Shareholders by way of special resolutions and the proposals of (4) to (10) and (12) above are to be approved by the Shareholders by way of ordinary resolutions at the EGM. The proposals (1) to (8) are also to be approved by the Domestic Shareholders at the Domestic Shareholders' Class Meeting and by the H Shareholders at the H Shareholders' Class Meeting, respectively.

**A. Grant of authorisation to the Board to deal with matters relating to the Proposed A Share Offering**

For the purpose of the Proposed A Share Offering, a resolution will be proposed at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of special resolution, to authorise the Board to deal with all matters relating to the Proposed A Share Offering, including but not limited to the following:

- (a) To formulate and implement detailed plan for the Proposed A Share Offering in accordance with the circumstances, including but not limited to, determining the offering date, target subscribers, the number of shares to be offered, pricing methods, offering methods, and other matters relating to the Proposed A Share Offering.
- (b) To handle the application matters relating to the Proposed A Share Offering, including but not limited to, the vetting, registration, filing and approval procedures with the relevant government agencies, regulatory authorities, stock exchanges and securities registration and settlement institutions.
- (c) To prepare, sign, execute, amend, supplement and deliver any agreements, contracts and necessary documents, including but not limited to memorandum of intent, prospectus, sponsorship agreement, underwriting agreement, various announcements and shareholder notices in relation to the Proposed A Share Offering, as well as various explanation letters or letters of undertaking which are required by the regulatory authorities in relation to the Proposed A Share Offering.
- (d) To decide and appoint sponsor(s), underwriter(s), law firm(s), accounting firm(s), receiving bank(s) and other intermediaries in relation to the Proposed A Share Offering, and sign relevant agreements or contracts, such as sponsorship agreement, underwriting agreement, etc..

- (e) In accordance with any comments as may be received from the relevant regulatory authorities in the course of the application and approval of the Proposed A Share Offering and the actual circumstances of the Company, to adjust the plan for the investment projects and the use of proceeds including but not limited to the investment progress, the adjustment of investment ratio, and the signing of material agreements or contracts during the construction progress of the investment projects.
- (f) To determine a specific deposit account for the proceeds before the Proposed A Share Offering if required.
- (g) At the time of application for the Proposed A Share Offering in accordance with the changes in domestic and foreign laws, regulations and other regulating documents, requirements and recommendation of the relevant domestic and foreign government agencies and regulatory authorities as well as the actual circumstances of the Proposed A Share Offering, to adjust and revise the Articles of Association and other corporate governance documents to be revised and formulated for the purpose of the Proposed A Share Offering as considered and passed at the general meetings and the Board meetings.
- (h) To revise the relevant provisions of the Articles of Association upon completion of the Proposed A Share Offering in accordance with the results thereof, and to handle the business registration of the relevant changes.
- (i) To handle matters relating to the listing of the issued shares on the stock exchange and the relevant lockup of shares upon completion of the Proposed A Share Offering.
- (j) If the securities regulatory authorities issue new policies or regulations in relation to the initial public offering and listing, to adjust the offering plan of the Proposed A Share Offering in accordance with the new rules and requirements.
- (k) To determine and handle other matters relating to the Proposed A Share Offering in accordance with the relevant laws, regulations, departmental rules and regulating documents.
- (l) On the basis that the authorisation on the above has been obtained and unless the relevant laws and regulations provide otherwise, to propose to the EGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting for approval by way of special resolution on transfer of the aforesaid authorisation to the chairperson of the Board or such person designated by him/her to deal with matters in relation thereto.

The validity period of the authorisation under the subject resolution is 12 months from the date when this proposal is considered and approved by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

**B. Plan for distribution of profits accumulated before the Proposed A Share Offering**

At the Board Meeting, the Board resolved that, subject to any dividend distribution plan that may be declared by the Board and approved by the Shareholders before the completion of the Proposed A Share Offering, the undistributed profits of the Company accumulated before the Proposed A Share Offering will be shared by the existing and the new Shareholders after completion of the Proposed A Share Offering in proportion to their respective shareholdings.

The Board also resolved and submitted the above resolution to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of special resolution. The resolution will become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

**C. Use of proceeds of the Proposed A Share Offering and the feasibility analysis**

It is estimated that the funds raised from the Proposed A Share Offering, after deducting relevant expenses, will not be more than approximately RMB255,000,000 and will be prioritised to be used on the following projects:

*Unit: RMB*

<b>Project</b>	<b>Proceeds to be invested</b>
1 Production of additional 25 sets of comprehensive equipments for control of ultra-low emissions of industrial waste gas	155,000,000
2 Supplementation to the working capital in relation to the flue gas treatment projects, repayment of bank loans	<u>100,000,000</u>
Total	<u><u>255,000,000</u></u>

If the actual proceeds raised from the Proposed A Share Offering are more than the amount required for the above projects, the excess portion will be used to supplement the working capital of the Company or to be used in accordance with the relevant requirements of the regulatory authorities. If the actual proceeds raised from the Proposed A Share Offering are less than the amount required for the above projects, the shortfall will be funded by the Company with internal resources and bank loans. Before the proceeds of the Proposed A Share Offering are made available, the Company will fund the above projects in accordance with the capital requirements of these projects. When the proceeds of the Proposed A Share Offering subsequently become available, the Company will substitute the previous funds used by the Company with the funds raised from the Proposed A Share Offering in accordance with the relevant laws and regulations. The Board has

conducted feasibility analysis and study on the projects to which proceeds from the Proposed A Share Offering is to be applied, and is of the view that implementation of such projects is feasible.

The proposal for use of proceeds of the Proposed A Share Offering was approved by the Board at the Board Meeting and submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of special resolution. This proposal will become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

**D. Future dividend plan for the three years after the Proposed A Share Offering**

Based on the demand for strategic development of the Company and in order to strengthen the consciousness of rewarding Shareholders, improve the dividend policies and communication mechanism, the Company has prepared the *Future Dividend Plan for the Three Years After the Proposed A Share Offering* in accordance with the Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies and Guidelines No. 3 on the Supervision of Listed Companies — Distribution of Cash Dividends by Listed Companies and other relevant laws and regulations as well as the Articles of Association. The Board will be authorised to bring about modifications to the aforesaid future dividend plan with reference to the changes in the laws, rules, regulations and relevant policies or the opinions of domestic and overseas regulatory authorities. Please refer to the circular to be despatched for further details.

This proposal was approved by the Board at the Board Meeting and submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. Subject to the approval of the Shareholders, the proposal will become effective upon completion of the Proposed A Share Offering.

**E. A Share price stabilisation plan for the three years after the Proposed A Share Offering**

In order to protect the legitimate rights and interests of the Shareholders, the Company has prepared the *A Share Price Stabilisation Plan for the Three Years after the A Share Offering* in accordance with the relevant laws and regulations of the PRC. The Board will be authorised to bring about modifications to the aforesaid proposal with reference to the changes in the laws, rules, regulations and relevant policies or the opinions of domestic regulatory authorities. Please refer to the circular to be despatched for further details.

This proposal was approved by the Board at the Board Meeting and submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way



of ordinary resolution. Subject to the approval of the Shareholders, the proposal will become effective upon completion of the Proposed A Share Offering and the listing of the A Shares on the Shanghai Stock Exchange.

**F. Dilution of immediate return as a result of the Proposed A Share Offering and remedial measures**

The Company has conducted an analysis, in accordance with the Opinion on Further Strengthening the Protection of the Legal Interests of Minority Investors in the Capital Market\* (《國務院辦公室關於進一步加強資本市場中小投資者合法權益保護工作的意見》) issued by the General Office of the State Council of the PRC, regarding the impacts of the Proposed A Share Offering on dilution of immediate return and formulated certain remedial measures. The Board will be authorised to bring about modifications to the aforesaid remedial measures with reference to the changes in the laws, rules, regulations and relevant policies or the opinions of domestic and overseas regulatory authorities. Please refer to the circular to be despatched for further details.

This proposal was approved by the Board at the Board Meeting and submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. Subject to the approval of the Shareholders, the proposal will become effective upon completion of the Proposed A Share Offering.

**G. Report on the use of proceeds of the H Share Offering**

The Company has prepared the *Report on the Use of Proceeds of the H Share Offering*. Please refer to the circular to be despatched for further details. The report was approved by the Board at the Board Meeting and submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution.

As of the date of this announcement, certain part of the proceeds of the H Share Offering has not been used. The Company currently does not have any plan to change the use of proceeds of the H Share Offering as set out in the "Future Plans and Use of Proceeds" section of the H Share Offering Prospectus.

**H. Undertakings regarding the disclosure of information in the A Share Offering Prospectus**

In accordance with the relevant laws and regulations of the PRC, the Company and its controlling Shareholders propose to give the following undertakings in the A Share Offering Prospectus:

- (a) The Company and its controlling Shareholders undertake that if the competent government or judicial authorities determine that the A Share Offering Prospectus contains false content, misleading statements or material omissions, which is material for determining whether the Company satisfies the statutory qualification requirements for the Proposed A Share Offering, the

Company will repurchase all the new Shares issued under the Proposed A Share Offering in accordance with the laws. Details of the share repurchase plan are subject to the requirements of the relevant PRC laws and regulations.

- (b) The Company, the controlling Shareholders, actual controllers, Directors, supervisors and senior management of the Company undertake that if the A Share Offering Prospectus contains false content, misleading statements or material omissions, which leads to losses to the investors when dealing in the A Shares, such loss will be compensated in accordance with the relevant laws and regulations of the PRC.

The above proposal was approved by the Board at the Board Meeting and submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. The proposal shall become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

#### **I. Appointment of domestic auditor**

The Board intends to appoint Ernst and Young Hua Ming LLP as the domestic auditor of the Company and as the auditor under the Proposed A Share Offering, and to authorise the Board to determine its remuneration.

This proposal was approved by the Board at the Board Meeting and submitted to the EGM for consideration and approval by the Shareholders by way of ordinary resolution. This resolution will become effective upon approval by the Shareholders at the EGM.

#### **J. Report on the related party transactions for the period from 1 January 2014 to 31 December 2016**

For the purpose of the Proposed A Share Offering, the Company has prepared the *Report on Related Party Transactions* with three-year details of related party transactions between 1 January 2014 and 31 December 2016 of the Company. Please refer to the circular to be despatched for further details. The report was approved by the Board at the Board Meeting and submitted to the EGM for consideration and approval by the Shareholders by way of ordinary resolution.

#### **K. Proposed amendments to the Articles of Association and the Meeting Procedural Rules pursuant to the Proposed A Share Offering**

In accordance with the relevant laws and regulations of the PRC, the Board proposed to amend the Articles of Association for use after the listing of the A Shares. The amended Articles of Association will become effective from the date of the completion of the Proposed A Share Offering. The main amendments to the Articles of Association include (i) provisions relating to the number of new A Shares to be issued; and (ii) new provisions mandatory to be introduced for the purpose of the Proposed A Share Offering. As at the date of this announcement, the information relating to the number of A Shares to be finally issued under the

Proposed A Share Offering is not yet finalised. The Company will fill in relevant information once such information is finalised. Please refer to the circular to be despatched for the proposed amendments to the Articles of Association pursuant to the Proposed A Share Offering.

Besides, for the purpose of the Proposed A Share Offering, the Board also proposed to amend the following Meeting Procedural Rules: (i) the Procedural Rules of the General Meetings, (ii) the Procedural Rules of the Board Meetings and (iii) the Procedural Rules of the Supervisory Committee Meetings. Please refer to the circular to be despatched for the proposed amendments to the Meeting Procedural Rules.

The aforesaid amendments (i.e. to the Articles of Association and each of the Meeting Procedural Rules) were approved by the Board at the Board Meeting and accordingly submitted to the EGM for consideration and approval by the Shareholders by way of special resolution. Subject to the approval of the Shareholders, the proposed amendments will become effective upon completion of the Proposed A Share Offering.

As advised by the Company's legal advisers, the proposed amendments to the Articles of Association and the Meeting Procedural Rules under the subject resolution comply with the relevant PRC laws and regulations and the Hong Kong Listing Rules.

Each of the Articles of Association and the Meeting Procedural Rules (including the proposed amendments thereto) is prepared in Chinese without an official English version. Any English translation is for reference only. In case of any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

#### **L. Proposed formulation and implementation of the Corporate Governance Rules pursuant to the Proposed A Share Offering**

For the purpose of the Proposed A Share Offering, the Board proposed to adopt the following Corporate Governance Rules: (i) Independent Directors' Rules\* (《獨立董事制度》), (ii) Rules on the Management of Proceeds of Fund Raising\* (《募集資金管理制度》) and (iii) Measures on the Management of Related Party Transactions\* (《關聯交易管理辦法》). Please refer to the circular to be despatched for the proposed Corporate Governance Rules.

The formulation and implementation of the Corporate Governance Rules was approved by the Board at the Board Meeting and accordingly submitted to the EGM for consideration and approval by the Shareholders by way of ordinary resolution. Subject to the approval of the Shareholders, the proposed Corporate Governance Rules will become effective upon completion of the Proposed A Share Offering and the listing of the A Shares on the Shanghai Stock Exchange.

As advised by the Company's legal advisers, the proposed Corporate Governance Rules comply with the relevant PRC laws and regulations and the Hong Kong Listing Rules.

Each of the proposed Corporate Governance Rules are prepared in Chinese without an official English version. Any English translation is for reference only. In case of any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

### (3) IMPACT OF THE PROPOSED A SHARE OFFERING ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Proposed A Share Offering and that a maximum of 15,000,000 A Shares are issued under the Proposed A Share Offering (which represents approximately 11.11% of the total issued share capital of the Company as at the date of this announcement and approximately 10.00% of the total issued share capital of the Company as enlarged by the issue of the A Shares under the Proposed A Share Offering), the shareholding structure of the Company immediately before and after completion of the Proposed A Share Offering is set out as follows:

	Immediately before completion of the Proposed A Share Offering		Immediately after completion of the Proposed A Share Offering	
	Number of Shares	Approximate percentage in the Company's total issued share capital	Number of Shares	Approximate percentage in the Company's total issued share capital
<b>Domestic Shares</b>				
Bian Yu (邊宇)	13,671,000	10.13%	13,671,000	9.11%
Bian Jianguang (邊建光)	6,843,000	5.07%	6,843,000	4.56%
Bian Shu (邊姝)	3,933,000	2.91%	3,933,000	2.62%
Bian Weican (邊偉燦)	1,851,000	1.37%	1,851,000	1.23%
He Jianmin (何建民)	1,851,000	1.37%	1,851,000	1.23%
Chen Jiancheng (陳建誠)	1,851,000	1.37%	1,851,000	1.23%
TGL	70,000,000	51.85%	70,000,000	46.67%
New A Shares to be issued under the Proposed A Share Offering	—	—	15,000,000	10.00%
<b>Sub-total of Domestic Shares:</b>	<b>100,000,000</b>	<b>74.07%</b>	<b>115,000,000</b>	<b>76.67%</b>
<b>H Shares</b>	<b>35,000,000</b>	<b>25.93%</b>	<b>35,000,000</b>	<b>23.33%</b>
<b>Total:</b>	<b>135,000,000</b>	<b>100%</b>	<b>150,000,000</b>	<b>100%</b>

*Note:* Owing to rounding, there may be a discrepancy between the total and the sum of individual items.

As a result of the Proposed A Share Offering and assuming a maximum of 15,000,000 A Shares are issued which are expected to be all held by the Independent Third Parties and counted as public float, the Company's public float (including H Shares and A Shares) will be approximately 33.33%. The Company would still be able to meet the

minimum requirement on public float percentage as required under the Hong Kong Listing Rules. The Company will closely monitor its public float percentage to ensure that it, at all times, complies with the relevant requirements regarding public float under the Hong Kong Listing Rules and will promptly notify the Hong Kong Stock Exchange of any changes in the Company's public float.

#### **(4) BENEFITS OF AND REASONS FOR THE PROPOSED A SHARE OFFERING**

Since the Company currently mainly focuses on its core business in the PRC, the Proposed A Share Offering will enhance the Company's corporate image and the brand name, further widen the Company's funding channels, increase the Company's working capital and achieve stronger recognition of the capital markets by attracting large institutional as well as medium and small investors in the PRC. The Directors also believe that the Proposed A Share Offering will be beneficial to the Company's business growth, financing flexibility and business development. It will also enable the Company to obtain more financial resources and improve the competitiveness of the Company, which would be beneficial to the long term development of the Company. Furthermore, the PRC securities regulatory authorities are promoting reform on the share offering registration system to increase the marketisation and financing efficiency of the securities market. Having considered the above factors, the Directors consider that the application for listing in the PRC should be kicked off as early as possible. This is in line with the Company's strategic development requirements, enables the Company to seize the opportunities in the developing capital market of the PRC, promotes long-term sustainable development of the Company and promotes greater value on the Shareholders' investment in the Company.

The Directors consider that the Proposed A Share Offering is in the best interests of the Company and the Shareholders as a whole. Each of the above resolutions is necessary for the Proposed A Share Offering to proceed. In the event that any of the resolutions is not approved by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting or the H Shareholders' Class Meeting, the Company will not proceed with the Proposed A Share Offering and may consider revising the terms of the Proposed A Share Offering and re-submit them to the Shareholders for approval.

#### **(5) FUND RAISING ACTIVITIES**

In view of the changing market conditions and the current operation of the Group, the Company aims at developing a mixture of diversified funding channels in order to best suit its future development and investment strategy. When considering which fund raising channel is appropriate for a particular funding needs, the Company will consider a number of factors including the market condition, the interest rates in the market, the financing structure of the Company, the investment strategy at the relevant time, so as to ensure the funds are being utilised efficiently and appropriately.

As of the date of this announcement, the Company has not conducted any fund raising activities in relation to the issue of equity securities of the Company in the 12 months immediately preceding the date of this announcement, except for the H Share Offering of which the details are set out in the H Share Offering Prospectus. As of the date of

this announcement, the Company does not have any plan to conduct any similar fund raising activity (apart from the Proposed A Share Offering) in the next 12 months from the date of this announcement.

## (6) ASSET ACQUISITION AND RELATED MATTERS

At the Board Meeting, the Board also resolved to submit to the EGM for consideration and approval by the Shareholders by way of ordinary resolution for the Company's acquisition of the Subject Assets for the aggregate consideration of RMB79,000,000 (equivalent to approximately HK\$88,764,045). Details of the Asset Acquisition are set forth below in details.

### A. The Asset Acquisition Agreement

#### *Parties involved and their relationship*

Vendor: Tengy Group Limited, also known as Tianjie Group Co., Ltd.\*  
(天潔集團有限公司)

Purchaser: The Company

Established in 5 June 1995 as a limited liability company in the PRC, the Vendor is the controlling Shareholder holding approximately 51.85% of the equity interests in the Company as at the date of this announcement and, hence, a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules.

#### *Subject matter*

Pursuant to the Asset Acquisition, the Company conditionally agreed to acquire from TGL the Subject Assets, which comprise the Property (together with the corresponding land-use rights) and the Accessory Equipments. Please refer to the sub-section headed “— D. Information on the Subject Assets” in this announcement for further details.

#### *Consideration*

The consideration (the “**Consideration**”) for the Asset Acquisition in the aggregate amount of RMB79,000,000 (equivalent to approximately HK\$88,764,045) comprising (i) RMB50,300,000 (equivalent to approximately HK\$56,516,854) for the Property, (ii) RMB27,700,000 (equivalent to approximately HK\$35,147,078) for the corresponding land-use right attached to the property; and (iii) RMB1,000,000 (equivalent to approximately HK\$1,123,596) for the Accessory Equipments shall be paid in full by the Company out of the proceeds of the H Share Offering to TGL in cash on the Completion Date or an another date as further agreed upon between the Parties.

### ***Basis of determination of the Consideration***

The Consideration was arrived at after arm's length and voluntary negotiations between the Company and TGL with reference to the fair market price taking into account, among others, the following:

- (i) the aggregate value of the Subject Assets as at 31 December 2016 of RMB79,714,502 (equivalent to approximately HK\$89,566,856) with reference to the Valuation Report separately set out in the circular to be despatched by the Company; and
- (ii) the quality as well as condition of the Subject Assets.

### ***Conditions Precedent***

Pursuant to the Asset Acquisition Agreement, the Asset Acquisition is conditional upon the fulfilment or, where applicable, waiver of the following conditions (the "**Conditions Precedent**"):

- (i) the approval of the transaction contemplated under the Asset Acquisition by the Independent Shareholders at the EGM;
- (ii) TGL, on or before the Completion Date, having performed and complied with all relevant obligations, commitments and undertakings in accordance with the Asset Acquisition Agreement;
- (iii) TGL, on or before the Completion Date, having completed all procedures in respect of the transfer of legal title of the Property to the Company (including but not limited to the completion of all the registrations, filings and other procedures under the applicable laws and regulations of the PRC), and thereafter provided the relevant documents in evidence of the same (including but not limited to the title certificate of real estate (不動產權證書), coupled with the duly executed documents with respect to the transfer of title); and
- (iv) the representations and warranties in respect of TGL being true, accurate and not misleading in all respects on or before the Completion Date.

The Company shall be entitled to waive any or all of the Conditions Precedents under sub-paragraph (ii) to (iv) above at its absolute discretion.

If any of the Conditions Precedents cannot be satisfied (or waived) before 30 September 2017, the Asset Acquisition Agreement shall be terminated automatically unless the Parties otherwise agree.

### ***Other terms and conditions***

Completion shall take place within 30 Business Days after the date on which the last Conditions Precedent is satisfied (or waived), or at such other time as the Parties shall agree in writing.

## **B. Information on the Group**

The Group is principally engaged in the provision of integrated atmospheric pollution control solutions, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries.

## **C. Information on TGL**

The Vendor is the controlling Shareholder and, hence, a connected person of the Company and is principally engaged in the business of, amongst other things, manufacturing and sale of machineries and spare parts, the sale of steel, building materials and other chemical products, scrap metals recycling and the construction and operation of wind power farms.

## **D. Information on the Subject Assets**

The Subject Assets to be acquired by the Company from TGL pursuant to the Asset Acquisition Agreement comprise two main aspects of which the respective details are set out below:

### ***The Property and the corresponding land-use rights***

The property involved represents a factory erected on the land located Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC (中國浙江省諸暨市牌頭鎮新樂村、新升村) with a total site area of approximately 59,273.50 sq. m. (the “**Property**”). The Property comprises, among others, factory premises with an aggregate gross floor area of 46,679.54 sq. m. to be used as production facilities as at the date of this announcement.

As at the date of the Asset Acquisition Agreement, TGL possessed the state-owned land-use rights for the land on which the Property was erected and the aforesaid factory premises were constructed therein in accordance with the title certificate of real estate (不動產權證書) also obtained by TGL.



Throughout the period immediately preceding the execution of the Asset Acquisition Agreement, the Company has been leasing the Property from TGL as its production facilities with lease term from 1 January 2015 to 31 December 2017 and an annual rental fee of RMB3,267,567.80. Upon completion of the Asset Acquisition, however, the said lease arrangement shall lapse accordingly. As of 31 December 2016, the details of the Property (including the corresponding land-use rights) are as follows:

No.	Item	Category	Original Book Value (RMB)	Accumulated Depreciation/ Amortisation (RMB)	Net Book Value (RMB)
1	Land use right	Tangible asset	11,270,454.77	3,097,383.3	8,173,071.47
2	Factory	Fixed asset	<u>47,947,889.23</u>	<u>17,629,106.11</u>	<u>30,318,783.12</u>
<b>Total</b>			<b><u>59,218,344</u></b>	<b><u>20,726,489.41</u></b>	<b><u>38,491,854.59</u></b>

### *The Accessory Equipments*

Apart from the Property, the Subject Assets to be acquired by the Company from TGL also comprise various accessory equipments, of which the particulars are set out as follows (the “Accessory Equipments”):

No.	Name of Equipment	Model	Number (Unit)	Original Book Value (RMB)	Net Book Value (RMB)
1	Electric single-girder (suspension) crane	LD10–22.5	5	315,000.00	108,018.75
2	Electric single-girder (suspension) crane	LDA10–22.5	8	504,000.00	172,830.00
3	Bridge (gantry) crane	QD10–22.5	3	675,000.00	231,468.75
4	Bridge (gantry) crane	QD15/3–22.5	1	278,000.00	95,330.83
5	Electric single-girder (suspension) crane	LD10–22.5	4	252,000.00	144,270.00
6	Electric single-girder (suspension) crane	LDA5–22.5	3	144,000.00	109,920.00
7	Electric single-girder (suspension) crane	LDA10–22.5	5	315,000.00	240,187.50
<b>Total</b>			<b>29</b>	<b><u>2,483,000.00</u></b>	<b><u>1,074,545.83</u></b>

## **E. Reasons for and benefits of the Asset Acquisition**

The Board believes that the Asset Acquisition is beneficial to the Group in the following aspects:

- (i) the Asset Acquisition is in line with the Group's long-term corporate and business development objectives, with the focus on the continuing development of business that involves the provision of integrated atmospheric pollution control solutions; and
- (ii) with the optional use of financial resources, the Asset Acquisition could help the Group reduce the scope of connected transactions with, and accordingly the extent of operational reliance on, TGL in the long run, which lead to a strengthened corporate governance framework.

The Board (excluding the independent non-executive Directors, who shall provide their views after taking into account the advice of the Independent Financial Adviser) considered that the terms and conditions of the Asset Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Being Directors, Mr. BIAN Yu, Mr. BIAN Jianguang, Mr. ZHANG Yuanyuan and Ms. BIAN Shu are also directors of TGL. As such, pursuant to the provisions under the Articles of Association, all of the abovementioned individuals present at the relevant Board meeting have abstained from voting on the Directors' resolutions approving the entering into of the Asset Acquisition Agreement by the Company. TGL and any of the abovementioned Directors (all being directors of TGL) who shall be entitled to vote at the EGM, with a material interest in the Asset Acquisition, and the associates of each of them, will also abstain from voting at the EGM in respect of the proposed resolution relating to the Asset Acquisition Agreement and the transactions contemplated thereunder.

## **F. Listing Rules implications**

Since one or more of the applicable percentage ratios in respect of the Asset Acquisition exceeds 5% but are less than 25% as determined in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Asset Acquisition constitutes a discloseable transaction for the purpose of Chapter 14 of the Hong Kong Listing Rules. Further, since TGL is the controlling Shareholder and, hence, a connected person of the Company, the Asset Acquisition also constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **G. Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee comprising all the independent non-executive Directors (namely, Ms. TAM Hon Shan Celia, Mr. ZHANG Bing and Mr. JIANG Yan) has been formed to consider the Asset Acquisition and the Independent Financial Adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Asset Acquisition and related matters.

### **(7) THE EGM, THE DOMESTIC SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING**

The Proposed A Share Offering is to be approved by the Shareholders by way of special resolution at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, subject to the approvals from the CSRC and other regulatory authorities. Besides, the Asset Acquisition is to be approved by the Shareholders by way of ordinary resolution at the EGM.

### **(8) DESPATCH OF CIRCULAR AND RELATED DOCUMENTS**

A circular containing, amongst other things, details of (i) the aforesaid proposal for the Proposed A Share Offering and other relevant resolutions; (ii) the Asset Acquisition Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Asset Acquisition; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (v) the Valuation Report; and (vi) the notices each of the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting to be held on Tuesday, 9 May 2017, will be despatched to the Shareholders in accordance with the Hong Kong Listing Rules and the Articles of Association in due course.

**As the Proposed A Share Offering are subject to certain conditions precedent, they may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) regarding the detailed terms of the Proposed A Share Offering will be made by the Company as and when applicable. This announcement appears for information purposes only and does not constitute an invitation or an offer to acquire, purchase or subscribe for the securities of the Company.**

## (9) DEFINITIONS

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

“A Share(s)”	means the ordinary shares(s) proposed to be issued by the Company pursuant to the Proposed A Share Offering, with a nominal value of RMB1.00 each, which will be listed on the Shanghai Stock Exchange and traded in RMB
“A Share Offering Prospectus”	means the prospectus of the Company to be published for the Proposed A Share Offering
“Accessory Equipments”	has the meaning ascribed to it under the section headed “(6) Asset Acquisition and Related Matters — D. Information on the Subject Assets — The Accessory Equipments” in this announcement
“Articles of Association”	means the articles of association of the Company, as amended from time to time
“Asset Acquisition”	the proposed acquisition of the Subject Assets by the Company from TGL
“Asset Acquisition Agreement”	the agreement dated 15 March 2017 entered into between TGL, as the vendor, and the Company, as the purchaser, in respect of the Asset Acquisition
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	means the board of Directors
“Board Meeting”	means the meeting of the Board held on 2 March 2017
“Business Day”	a day (other than a Saturday, a Sunday or public holiday) on which banks in Hong Kong are normally open for banking business to members of the public
“Company”	means Zhejiang Tengy Environmental Technology Co., Ltd, a joint stock limited liability company incorporated under the laws of the PRC on 28 December 2009, the H Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 1527)
“Completion”	completion of the Asset Acquisition in accordance with the terms and conditions of the Asset Acquisition Agreement

“Completion Date”	the date on which Completion shall take place
“Conditions Precedent(s)”	has the meaning ascribed to it under the section headed “(6) <i>Asset Acquisition and Related Matters — A. The Asset Acquisition Agreement — Conditions Precedent</i> ” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Consideration”	has the meaning ascribed to it under the section headed “(6) <i>Asset Acquisition and Related Matters — A. The Asset Acquisition Agreement — Consideration</i> ” in this announcement
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Corporate Governance Rules”	means a list of rules and measures as set out under the section headed “(2) <i>Other Resolutions pursuant to the Proposed A Share Offering and related matters — L. Proposed formulation and implementation of the Corporate Governance Rules pursuant to the Proposed A Share Offering</i> ” in this announcement
“CSRC”	means the China Securities Regulatory Commission
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means the ordinary shares issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Shareholder(s)”	means the holder(s) of the Domestic Share(s)
“Domestic Shareholders’ Class Meeting”	means the class meeting of Domestic Shareholders to be held at 11:30 a.m. on Tuesday, 9 May 2017 at the Company’s conference room, TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC or any adjournment thereof, or immediately after the conclusion of the EGM (whichever is the later)
“EGM”	means the extraordinary general meeting of the Company to be held at 10:30 a.m. on Tuesday, 9 May 2017 at the Company’s conference room, TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC or any adjournment thereof
“Group”	means the Company and its subsidiaries

“Guidelines”	means the Guidelines for Articles of Association of Listed Companies (Revised in 2016) issued by the CSRC
“H Share Offering Prospectus”	means the prospectus of the Company dated 24 September 2015 published for the H Share Offering
“H Share(s)”	means overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed on the Hong Kong Stock Exchange and traded in HK\$
“H Shareholder(s)”	means the holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	means the class meeting of H Shareholders to be held at 12:30 p.m. on Tuesday, 9 May 2017 at the Company’s conference room, TENG Y Industrial Park, Paitou Town, Zhujiaji City, Zhejiang Province, the PRC or any adjournment thereof, or immediately after the conclusion of the Domestic Shareholders’ Class Meeting (whichever is the later)
“H Share Offering”	means the initial public offering of the H Shares globally and the listing thereof on the Hong Kong Stock Exchange on 12 October 2015
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee comprising all of the independent non-executive Directors, namely Ms. TAM Hon Shan Celia, Mr. ZHANG Bing and Mr. JIANG Yan
“Independent Directors”	means the independent directors of the Company

“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Asset Acquisition
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting at the EGM pursuant to the Hong Kong Listing Rules
“Independent Third Party(ies)”	means person(s) who, as far as the Directors are aware after having made all reasonable enquiries, are not connected persons of the Company
“Issue and Underwriting Measures”	means the Measures for the Administration of Issue and Underwriting of Securities* (《證券發行與承銷管理辦法》) issued by the CSRC
“Meeting Procedural Rules”	means the Procedural Rules of the General Meetings, the Procedural Rules of the Board Meetings and the Procedural Rules of the Supervisory Committee Meetings
“Offering Measures”	means the Measures for the Administration of the Initial Public Offering and Listing of Shares* (《首次公開發行股票並上市管理辦法》) issued by the CSRC
“Parties”	parties to the Asset Acquisition Agreement, being TGL and the Company
“PRC”	means the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	means the Company Law of the PRC (《中華人民共和國公司法》)
“PRC Securities Law”	means the Securities Law of the PRC (《中華人民共和國證券法》)
“Procedural Rules of the Board Meetings”	means the procedural rules of the Board meetings
“Procedural Rules of the General Meetings”	means the procedure rules of the general meetings of the Company
“Procedural Rules of the Supervisory Committee Meetings”	means the procedural rules of the meetings of the Supervisory Committee

“Property”	has the meaning ascribed to it under the section headed “(6) Asset Acquisition and Related Matters — D. Information on the Subject Assets — The Property and the corresponding land-use rights” in this announcement
“Proposed A Share Offering”	means the Company’s proposed initial public offering of not more than 15,000,000 A Shares in the PRC
“RMB”	means Renminbi, the lawful currency of the PRC
“Share(s)”	means the share(s) of the Company, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	means the shareholder(s) of the Company
“Subject Assets”	means the assets to be acquired by the Company from TGL under the Asset Acquisition Agreement, being the Property (together with the corresponding land-use rights) and the Accessory Equipments
“Supervisory Committee”	means the supervisory committee of the Company
“sq. m.”	square metre(s)
“TGL”	means Tengy Group Limited, also known as Tianjie Group Co., Ltd.*, (天潔集團有限公司) (formerly known as Zhejiang Tianjie Machinery Group Co., Ltd.* (浙江天潔機械集團有限公司)), a company incorporated in the PRC with limited liability on 5 June 1995 owned as to approximately 64.08% by Mr. BIAN Yu, 22.81% by Mr. BIAN Jianguang and 13.11% by Ms. BIAN Shu, and is a controlling Shareholder holding approximately 51.85% interest in our Company upon completion of the H Share Offering



“Valuation Report” means the valuation report dated 20 January 2017 compiled by Shanghai Dongzhou Asset Appraised Company Limited\* (上海東洲資產評估有限公司), an independent professional valuer appointed by the Company, and separately set out in the circular to be despatched

“%” means per cent

\* For identification purposes only

*For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.89 to HK\$1.00.*

By order of the Board  
**Zhejiang Tengy Environmental Technology Co., Ltd**  
**BIAN Yu**  
*Chairman*

Zhuji City, Zhejiang Province, the PRC  
15 March 2017

*As at the date of this announcement, the Company’s executive Directors are Mr. BIAN Yu, Mr. BIAN Weican and Ms. BIAN Shu; the non-executive Directors are Mr. BIAN Jianguang, Mr. ZHANG Yuanyuan and Ms. ZHU Hong; and the independent non-executive Directors are Ms. TAM Hon Shan Celia, Mr. ZHANG Bing and Mr. JIANG Yan.*