

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd
(a joint stock company established in the People's Republic of China with limited liability)
(Stock Code: 1527)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF PROPERTIES**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



THE ACQUISITION

The Board is pleased to announce that on 7 January 2022 (after trading hours of the Stock Exchange), the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Properties for the consideration of RMB25,900,000.

LISTING RULES IMPLICATIONS

The Vendor is the controlling shareholder of the Company, holding approximately 47.84% of the issued share capital of the Company as at the date of this announcement. Therefore, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major acquisition on the part of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) a notice of EGM; and (iii) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 28 January 2022.

On 7 January 2022 (after trading hours of the Stock Exchange), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Properties for the consideration of RMB25,900,000.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date: 7 January 2022 (after trading hours of the Stock Exchange)

Parties: (1) The Purchaser (as the purchaser)
(2) The Vendor (as the vendor)

The Purchaser is a wholly owned subsidiary of the Company and is principally engaged in manufacture and sale of electronic products in the PRC.

The Vendor is principally engaged in the business of, amongst other things, manufacturing and sale of machineries and spare parts, sale of steel, building materials and other chemical products and scrap metals recycling and construction. As at the date of this announcement, (i) the Vendor is owned as to approximately 64.08%, 22.81% and 13.11% by Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu respectively; and (ii) the Vendor is the controlling shareholder of the Company, holding approximately 47.84% of the Company's issued share capital. Therefore, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Properties, which comprise the following:

- (1) the land-use rights to a state-owned land parcel (the “**Land**”) situated at East Red Tea Plantation, Paitou Town, Zhuji City, Zhejiang Province, the PRC with (a) the rights certificate number of 浙(2020)諸暨市不動產權第0010649號 (Zhe (2020) Zhuji City Immovable Assets number 0010649*); (b) land-use rights area of 24,118.6 sq.m.; and (c) designated purpose of industrial use; and
- (2) a plant erected on the Land and situated at East Red Tea Plantation, Paitou Town, Zhuji City, Zhejiang Province, the PRC with building area of 11,809.26 sq.m. (the “**Plant**”).

The aggregate original acquisition cost of the Properties paid by the Vendor was approximately RMB11.4 million and the book value of the Properties as at 30 November 2021 was approximately RMB700,000.

As at the date of this announcement, the Properties are charged by the Vendor in favour of China Minsheng Bank, Shaoxing branch to secure a loan provided by the bank to the Vendor in the outstanding principal amount of approximately RMB19,980,000 (the “**Charge**”). Under the Agreement, the Vendor undertakes to the Purchaser to arrange for release of the Charge before Completion and on or before 28 February 2022 and the Vendor warrants to the Purchaser that all consequences, liabilities and losses caused by the Vendor's failure to release the Charge within the above time period shall be borne by the Vendor.

Other warranties provided by the Vendor

Under the Agreement, the Vendor further warrants to the Purchaser, among others, that if there is any violation of PRC laws and regulations (including but not limited to administrative penalties, fines, forced demolition or being held accountable by PRC authorities) in relation to the Properties or any circumstances that may result in the land use rights or the Properties being affected, the Vendor warrants to fully compensate the Purchaser all losses.

Consideration

The total Consideration for the Acquisition shall be RMB25,900,000, which shall be satisfied by the Purchaser in the following manner:

- (1) within three Business Days of entering into the Agreement, the Purchaser shall pay part of the Consideration in the amount of RMB20,000,000 in cash to the Vendor (the “**First Part Payment**”); and
- (2) within three Business Days of the Completion, the Purchaser shall pay the remaining part of the Consideration in the amount of RMB5,900,000 in cash to the Vendor.

The Consideration was determined after arm’s length negotiations between the parties with reference to, among other things, the preliminary valuation of the Properties as at 30 November 2021 by way of market approach at RMB25,900,000, conducted by Masterpiece Valuation Advisory Limited, an independent professional valuer engaged by the Company.

Conditions precedent

Completion is conditional upon and subject to the satisfaction (or waiver, as the case may be) of the following conditions:

- (1) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules;

- (2) all necessary governmental, regulatory and other third parties' consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (3) all necessary governmental, regulatory and other third parties' consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (4) the Purchaser being satisfied with the results of the due diligence review to be conducted in relation to the Properties;
- (5) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser designated by the Purchase in relation to the Agreement and the transactions contemplated thereunder;
- (6) the obtaining of a valuation report from the valuer designated by the Company confirming that the valuation of the Properties is not less than RMB25,900,000;
- (7) the Charge having been released; and
- (8) from the date of the Agreement and up to the Completion Date, the warranties and representations given by the Vendor in the Agreement remaining true and accurate and not misleading.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions (4) and (8) above and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. Other than conditions (4) and (8), all other conditions set out above are not waivable. If any of the conditions set out in the Agreement have not been satisfied (or as the case may be, waived) on or before 5:00 p.m. on 28 February 2022 (or such later date as may be agreed between the Vendor and the Purchaser in writing), the Agreement shall cease and determine and the Vendor shall within three Business Days refund the First Part Payment to the Purchaser in full, and thereafter none of the parties to the Agreement shall have any obligations and liabilities towards the other save for any antecedent breaches of the terms of the Agreement, and none of the parties to the Agreement shall claim or enforce any other damages or claims against the other.

Completion

Completion shall take place within 3 Business Days after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Agreement. Upon Completion, the Properties shall be owned by the Purchaser and registered under the name of the Purchaser with the relevant governmental authority and the Purchaser shall obtain the relevant rights certificates in relation to the Properties.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products. The Company is owned as to approximately 47.84% and controlled by the Vendor as at the date of this announcement.

Currently, the Group's main property and plant for the manufacturing of environmental pollution prevention equipment and electronic products are located on a state-owned land parcel at Xinle Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC (the "**Current Land**"), the land-use right of which is owned by the Group with a land-use right area of approximately 129,577 sq.m. with a plant erected on the Current Land with building area of approximately 84,007 sq.m.. On 19 November 2021, the Zhuji City government issued the Implementation Measures for Further Standardizing the Organic Renewal of State-owned Industrial Land (for Trial Implementation)* (《進一步規範國有工業用地有機更新的實施辦法(試行)》), which provided the official guidelines for the resumption and redevelopment of state-owned industrial land in Zhuji City. The Company expects that the Current Land will be subject to resumption by the local authority of Zhuji City in 2022.

In anticipation of the resumption of the Current Land by the local authority of Zhuji City, the Company has been identifying a new suitable location for the manufacturing of environmental pollution prevention equipment and electronic products. The Properties are currently vacant. After acquiring the Properties, the Company will relocate its current production staff and the necessary production equipment to the Plant and the Land where the Company will continue its manufacturing of environmental pollution prevention equipment and electronic products.

The Company has visited and inspected the Land and the Plant and is of the view that they are in satisfactory condition and will be suitable for the Company's use for its manufacturing activities. Further, the Company is of the view that it will be able to maintain its current level of production scale and capacity after the proposed relocation.

Taking into consideration of the aforesaid, the Directors (save for the independent non-executive Directors whose views shall be set out in the circular) consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. As the Vendor is owned as to approximately 64.08%, 22.81% and 13.11% by Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu respectively and Mr. Bian Weican is the supervisor of the Vendor, each of Mr. Bian Yu, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican is interested in or deemed to be interested in the Agreement and the transactions contemplated thereunder and has abstained from voting in respect of the Board resolutions approving the Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

The Vendor is the controlling shareholder of the Company, holding approximately 47.84% of the issued share capital of the Company as at the date of this announcement. Therefore, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major acquisition on the part of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) a notice of EGM; and (iii) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 28 January 2022.

DEFINITIONS

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

“Acquisition”	the acquisition of the Properties by the Purchaser from the Vendor
“Agreement”	the agreement dated 7 January 2022 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong
“Company”	Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司), a joint stock limited liability company established under the laws of the PRC on 28 December 2009, the issued H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1527)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date falling within the 3 Business Days after the fulfilment (or waiver, as the case may be) of all conditions precedent under the Agreement

“Consideration”	the total consideration for the Acquisition in the amount of RMB25,900,000
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	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 Stock Exchange and traded in HK\$
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Agreement and the transactions contemplated thereunder

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties”	the properties (i.e. the Land and the Plant) to be acquired by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Purchaser”	浙江天潔環境工程有限公司 (Zhejiang Tianjie Environmental Engineering Company Limited*), a company established in the PRC with limited liability
“Rainbow Capital”	Rainbow Capital (HK) Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, and a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	天潔集團有限公司 (Tengy Group Limited*), a company established in the PRC with limited liability and a controlling shareholder of the Company holding approximately 47.84% of the issued share capital of the Company as at the date of this announcement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre
“%”	per cent.

* *In this announcement, the English translation of the Chinese name of certain PRC entities or title of documents in the PRC are included herein for identification purpose only. In the event of any inconsistency, the Chinese names or titles shall prevail.*

By order of the Board
Zhejiang Tengy Environmental Technology Co., Ltd
Mr. BIAN Yu
Chairman and executive Director

Zhuji City, Zhejiang Province, the PRC, 7 January 2022

As at the date of this announcement, the executive Directors are Mr. BIAN Yu, Mr. BIAN Weican and Ms. BIAN Shu; the non-executive Directors are Mr. BIAN Jianguang, Mr. CHEN Jiancheng and Mr. ZHU Xian Bo; and the independent non-executive Directors are Mr. ZHANG Bing, Mr. FUNG Kui Kei and Mr. LI Jiannan.