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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 established in the People's Republic of China with limited liability)

(Stock Code: 1527)

**(1) TERMINATION OF MAJOR AND CONNECTED
TRANSACTION IN RELATION TO ACQUISITION OF
PROPERTIES;
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

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

The Company announces that on 14 April 2022 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Termination Deed, pursuant to which the parties agreed to terminate the Agreement. Pursuant to the Termination Deed, (i) the Vendor agreed to reimburse the total expenses incurred by the Purchaser for the Acquisition in the amount of approximately HK\$0.6 million; and (ii) the parties agreed to release and discharge each other from their respective duties, obligations and liabilities under the Agreement. Accordingly, the Acquisition will not proceed.

FIRST LEASE AGREEMENT

On 1 January 2022 (after trading hours of the Stock Exchange), the Company as lessee entered into the First Lease Agreement with Tianyu Industry as lessor for the leasing of the Office Premises for a term of one year commencing from 1 January 2022 and expiring on 31 December 2022 for an annual rental amount of RMB429,000. The First Lease Agreement constituted continuing connected transaction on the part of the Company and as the highest applicable percentage ratio with respect to the annual cap of the First Lease Agreement is less than 0.1%, the First Lease Agreement constituted a de minimis transaction under Rule 14A.76 of the Listing Rules and is fully exempt from the requirements under chapter 14A of the Listing Rules.

SECOND LEASE AGREEMENT

The Board announces that on 14 April 2022 (after trading hours of the Stock Exchange), the Company as lessee entered into the Second Lease Agreement with TGL as lessor for the leasing of the Plant and Equipment for a term of one year commencing from 14 April 2022 and expiring on 13 April 2023 for an annual rental amount of RMB3.5 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) TGL is the controlling shareholder of the Company, holding approximately 47.84% of the issued share capital of the Company; and (ii) Tianyu Industry is an associate of TGL and owned as to approximately 41.95% by TGL and the remaining 58.05% by other independent third parties. Therefore, each of TGL and Tianyu Industry is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Second Lease Agreement constitute continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio with respect to the annual cap of the Second Lease Agreement (when aggregated with the First Lease Agreement) is less than 5%, the transactions contemplated under the Second Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

References are made to the announcement of the Company dated 7 January 2022 (the “**Announcement**”) and the circular of the Company dated 8 February 2022 (the “**Circular**”) in relation to the acquisition of Properties. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement and the Circular.

As disclosed in the Announcement and the Circular, the Completion is conditional on, inter alia, the Charge having been released. However, the Purchaser was recently informed by the Vendor that it failed to negotiate with the bank to arrange for the release of the Charge. Accordingly, after trading hours of the Stock Exchange on 14 April 2022, the Vendor and the Purchaser entered into a deed of termination (the “**Termination Deed**”), pursuant to which the parties agreed to terminate the Agreement. Pursuant to the Termination Deed, (i) the Vendor agreed to reimburse the total expenses incurred by the Purchaser for the Acquisition in the amount of approximately HK\$0.6 million; and (ii) the parties agreed to release and discharge each other from their respective duties, obligations and liabilities under the Agreement. Accordingly, the Acquisition will not proceed.

Based on the above, the Board considers that the terms of the Termination Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the termination of the Acquisition does not have any material adverse impact on the business operation and financial position of the Group.

FIRST LEASE AGREEMENT

The Company as lessee entered into the First Lease Agreement with Tianyu Industry as lessor on 1 January 2022 (after trading hours of the Stock Exchange) for the leasing of office premises for a term of one year commencing from 1 January 2022 and expiring on 31 December 2022. The principal terms of the First Lease Agreement are set out below.

- Date: 1 January 2022 (after trading hours of the Stock Exchange)
- Parties: (a) The Company (as lessee); and
(b) Tianyu Industry (as lessor).
- Office premises: 23rd Floor of Tianjie Building situated at No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, China with gross floor area of 1,176.11 square meter (the “**Office Premises**”)
- Term: One year from 1 January 2022 to 31 December 2022
- Rent: RMB429,000 per annum (exclusive of management, water, electricity, broadband and communication fees chargeable by PRC government), which was determined with reference to the prevailing market rates for similar office premises in similar locations in the PRC

For the purpose of Rule 14A.53 of the Listing Rules, the annual cap of the First Lease Agreement is RMB429,000, which is equivalent to the annual rental amount under the First Lease Agreement.

The First Lease Agreement constituted continuing connected transaction on the part of the Company and as the highest applicable percentage ratio with respect to the annual cap of the First Lease Agreement is less than 0.1%, the First Lease Agreement constituted a de minimis transaction under Rule 14A.76 of the Listing Rules and is fully exempt from the requirements under chapter 14A of the Listing Rules.

SECOND LEASE AGREEMENT

On 14 April 2022 (after trading hours of the Stock Exchange), the Company as lessee entered into the Second Lease Agreement with TGL as lessor for the leasing of certain plant and equipment for a term of one year commencing from 14 April 2022 and expiring on 13 April 2023. The principal terms of the Second Lease Agreement are set out below.

- Date: 14 April 2022 (after trading hours of the Stock Exchange)
- Parties: (a) The Company (as lessee); and
(b) TGL (as lessor).
- Properties: Plant located at Xiaoyanshi Village, Dongfang Black Tea Farm, Paitou Town, Zhuji City, Zhejiang Province with gross floor area of 16,495.46 square meter; and the ancillary equipment including the power distribution and fire equipment (the “**Plant and Equipment**”)
- Term: One year from 14 April 2022 to 13 April 2023
- Rent: RMB3.5 million per annum (exclusive of management, water, electricity fees and other outgoings chargeable by PRC government), which was determined with reference to the prevailing market rates for similar plant and equipment in similar locations in the PRC

For the purpose of Rule 14A.53 of the Listing Rules, the annual cap of the Second Lease Agreement is RMB3.5 million, which is equivalent to the annual rental amount under the Second Lease Agreement.

Reasons and benefits for the Second Lease Agreement

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 TGL as at the date of this announcement.

As disclosed in the Circular, in anticipation of the resumption of the Current Land by the local authority of Zhuji City, the Company entered into the Agreement and intended to acquire the Properties as its new plant for the manufacturing of environmental pollution prevention equipment and electronic products. Following the termination of the Agreement on 14 April 2022, the Company entered into the Second Lease Agreement to lease the Plant and Equipment and the Company will relocate its current production staff and the necessary production equipment and will continue its manufacturing of environmental pollution prevention equipment and electronic products at the property under the Second Lease Agreement.

The Company has visited and inspected the Plant and Equipment 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 (including the independent non-executive Directors) consider that the terms and conditions of the Second Lease Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable and that the entering into of the Second Lease Agreement is in the interests of the Company and the Shareholders as a whole.

As TGL 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 TGL, 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 Second Lease Agreement and the transactions contemplated thereunder and has abstained from voting in respect of the Board resolutions approving the Second Lease Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) TGL is the controlling shareholder of the Company, holding approximately 47.84% of the issued share capital of the Company; and (ii) Tianyu Industry is an associate of TGL and owned as to approximately 41.95% by TGL and the remaining 58.05% by other independent third parties. Therefore, each of TGL and Tianyu Industry is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Second Lease Agreement constitute continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. TGL is principally engaged in manufacturing and sales of machinery and equipment and industrial investment and Tianyu Industry is principally engaged in development and management of real estate and industrial investment.

As the highest applicable percentage ratio with respect to the annual cap of the Second Lease Agreement (when aggregated with the First Lease Agreement) is less than 5%, the transactions contemplated under the second Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the First Lease Agreement and the Second Lease Agreement is for a term of one year, it would not result in the recognition of any asset representing the right to use the leased asset by the Company under HKFRS 16.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“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)
“connected person(s)”	has the same meaning as ascribed in the Listing Rules
“controlling shareholder”	has the same meaning as ascribed in the Listing Rules
“Director(s)”	the director(s) of the Company
“First Lease Agreement”	the lease agreement dated 1 January 2022 entered into between the Company and Tianyu Industry for the leasing of the Office Premises to the Company
“Group”	the Company and its subsidiaries
“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\$
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Second Lease Agreement”	the lease agreement dated 14 April 2022 entered into between the Company and TGL for the leasing of the Plant and Equipment to the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TGL”	Tengy Group Limited, also known as Tianjie Group Co., Ltd.* (天潔集團有限公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding approximately 47.84% interest in the Company as at the date of this announcement
“Tianyu Industry”	Zhuji City Tianyu Industry Investment Ltd* (諸暨市天宇實業投資有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Zhuji City, Zhejiang Province, the PRC, 14 April 2022

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

* *For identification purpose only*