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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)**

**DISCLOSEABLE TRANSACTION INVOLVING  
FURTHER ACQUISITION OF 5% EQUITY INTEREST  
IN THE TARGET COMPANY**

On 30 March 2023 (after trading hours of the Stock Exchange), the Company entered into the Agreement with the Vendor, pursuant to which the Company agreed to further acquire and the Vendor agreed to sell the Sale Capital, representing 5% equity interest in the Target Company held by the Vendor, subject to the terms and conditions of the Agreement for a consideration of RMB6,421,165.

Upon completion of the transaction under the Agreement, the Company's equity interest in the Target Company will be increased from 40% to 45%.

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The Acquisition when aggregated with the Previous Acquisition would be classified as a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. As the Company has complied with the discloseable transaction requirements in respect of the Previous Acquisition, the Company is not required to reclassify the Acquisition by aggregating it with the Previous Acquisition.

References are made to the announcement of the Company dated 8 June 2021 and circular of the Company dated 29 June 2021 in relation to the Previous Acquisition.

The Board hereby announces that, on 30 March 2023 (after trading hours of the Stock Exchange), the Company as the purchaser, entered into the Agreement with the Vendor, pursuant to which the Company agreed to further acquire and the Vendor agreed to sell the Sale Capital, representing 5% equity interest in the Target Company held by the Vendor, subject to the terms and conditions of the Agreement for a consideration of RMB6,421,165.

## **THE AGREEMENT**

Date: 30 March 2023 (after trading hours of the Stock Exchange)

Parties: (a) The Company (as the purchaser); and  
(b) 海越能源集團股份有限公司 (Haiyue Energy Group Company Limited\*) (as the Vendor).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, (i) the Vendor is an integrated petrochemical and energy company with oil processing, warehousing, trading, logistics and retailing businesses; (ii) the issued shares of the Vendor are listed on the Shanghai Stock Exchange (stock code: 600387); and (iii) the Vendor and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Capital, representing 5% equity interest in the Target Company.

## **Consideration**

The Consideration for the sale and purchase of the Sale Capital shall be RMB6,421,165, which shall be payable by the Purchaser in cash to the Vendor in the following manner:

- (a) 50% of the Consideration in the amount of approximately RMB3.21 million shall be payable by the Company within five Business Days after the date of entering into of the Agreement; and
- (b) the remaining balance of the Consideration in the amount of approximately RMB3.21 million shall be payable by the Company within five Business Days after the date of completion of registration for the transfer of Sale Capital from the Vendor to the Purchaser with the relevant industry and commerce bureau in the PRC.

The Consideration was determined after arms' length negotiations between the parties with reference to (i) the audited net asset value of the Target Company for the year ended 31 December 2022 in the amount of approximately RMB92 million; and (ii) the Vendor is also selling 10% equity interest in the Target Company to Lianyuan Steel, the basis of the consideration of which is the same as the Consideration under the Acquisition. The Consideration will be financed by the internal resources of the Company.

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **COMPLETION**

The Agreement is unconditional and Completion shall take place after the registration for the transfer of Sale Capital from the Vendor to the Purchaser with the relevant industry and commerce bureau in the PRC and not later than 31 May 2023.

Upon Completion, (i) the Company's equity interest in the Target Company will be increased from 40% to 45%; and (ii) the Target Company will remain to be an associated company of the Company and the financial results of the Target Company will not be consolidated into the accounts of the Company.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company established in the PRC in August 2007 and is principally engaged in the processing and sale of magnetic materials and cold-rolled silicon steel plates, and the calendaring of steel and non-ferrous metals. The Target Company possesses two cold-rolled non-oriented electrical steel production lines, which comprise an advanced continuous decarburization annealing coating unit, with an annual production capacity of 200,000 tons. The Target Company uses Lianyuan Steel's cold-rolled silicon steel plates as raw materials, and achieves deep product processing through welding, degreasing, annealing, coating and other procedures. It is the first electrical steel production line built and developed by domestic private capital in the PRC.

The production of the Target Company has the characteristics of stable quality, a short production cycle, low energy consumption and a high level of automation control, and has achieved an advanced domestic level in the PRC. It has obtained the ISO9001 quality system certification and passed the Zhejiang provincial government clean production inspection. The products as processed by the Target Company are mainly supplied to the end users directly, and are applied in high-efficiency and energy-saving motors, electrical vehicle motors, electrical tools, submersible pump motors, vacuum cleaner motors, and motors of home appliances such as air-conditioners and refrigerators. The Target Company has been constructing a new production plant for high-grade silicon steel, which is one of the essential raw materials for facilitating the generational upgrade of electrical products, enabling the Target Company to expand the variety of its product specification and meet the growing demand of the domestic market.

As at the date of this announcement, (i) the Target Company is owned as to 40%, 40%, 15% and 5% by the Company, Lianyuan Steel, the Vendor and TGL respectively; and (ii) the Target Company has a registered capital RMB100,000,000 which has been fully paid up by the shareholders. The Company acquired 40% equity interest in the Target Company at the consideration of RMB68,000,000 from TGL in 2021, further details of which are set out in the announcement of the Company dated 8 June 2021 and circular of the Company dated 29 June 2021.

The Company will be a passive investor of the Target Company and the Target Company will not be controlled by the Company and the business operation of the Target Company will continue to be managed by Lianyuan Steel after Completion. As at the date of this announcement, the Company has no present intention to further acquire the remaining 55% equity interest in the Target Company. The financial results of the Target Company will continue to be equity accounted for in the consolidated financial statements of the Company upon Completion.

To the best knowledge and information available to the Company, (i) Lianyuan Steel is a stated-owned enterprise effectively and beneficially owned as to approximately 78.72% and controlled by 湖南省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government\*); and (ii) 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. TGL is the substantial shareholder of the Company, holding approximately 28.5% of the issued share capital of the Company as at the date of this announcement.

The audited consolidated financial information of the Target Company for the two financial years ended 31 December 2021 and 31 December 2022 are set out below:

	<b>For the year ended 31 December 2022 (audited) (RMB'000)</b>	For the year ended 31 December 2021 (audited) (RMB'000)
Profit (Loss) before taxation	<b>(102,599)</b>	72,745
Profit (Loss) after taxation	<b>(102,599)</b>	53,005
Net assets	<b>91,998</b>	194,328
	<b>(as at 31 December 2022)</b>	(as at 31 December 2021)

## **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.

As disclosed in the announcement of the Company dated 8 June 2021, the Previous Acquisition would provide an investment opportunity for the Company to diversify its business portfolio by entering into the new materials market in the PRC. By entering into the Previous Acquisition, the Group could meet its business development strategy to actively search for appropriate acquisition targets to expedite its development, enhance its competitiveness and capture the opportunities in the environmental protection sector of the PRC and the Directors were of the view that the Previous Acquisition would provide a good investment opportunity for the Group to participate in the promising and growing new materials industry in the PRC.

The Company is of the view that the Acquisition will (i) consolidate the influence of the Company on the Target Company; (ii) facilitate the management of the Target Company after buying out the minority interest; and (iii) improve the expected synergies with the Group's existing business.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the 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 Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The Acquisition when aggregated with the Previous Acquisition would be classified as a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. As the Company has complied with the discloseable transaction requirements in respect of the Previous Acquisition, the Company is not required to reclassify the Acquisition by aggregating it with the Previous Acquisition.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Capital
“Agreement”	the agreement dated 30 March 2023 entered into between the Vendor and the Company in relation to the Acquisition
“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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 of the Agreement
“Consideration”	the aggregate consideration payable by the Company to the Vendor for the Sale Capital, being RMB6,421,165
“Director(s)”	the director(s) 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
“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”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Lianyuan Steel”	漣源鋼鐵集團有限公司 (Lianyuan Iron & Steel Group Co., Ltd.*), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Acquisition”	the Company’s acquisition of 40% equity interest in the Target Company from TGL, further details of which are set out in the announcement of the Company dated 8 June 2021 and circular of the Company dated 29 June 2021
“Sale Capital”	5% equity interest in the Target Company held by the Vendor
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Target Company”	浙江天潔磁性材料股份有限公司 (Zhejiang Tianjie Magnetic Materials Co., Ltd.*), a company established in the PRC with limited liability
“TGL”	天潔集團有限公司 (Tengy Group Limited*), a company established in the PRC with limited liability and is a controlling shareholder of the Company holding approximately 28.50% of the issued share capital of the Company as at the date of this announcement
“Vendor”	海越能源集團股份有限公司 (Haiyue Energy Group Company Limited*), a company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600387)
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* *In this announcement, the English names of certain PRC entities and individual are translation or transliteration of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names 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, 30 March 2023

*As at the date of this announcement, the executive Directors are Mr. BIAN Yu, Mr. ZHANG Yuanyuan and Ms. BIAN Shu; the non-executive Directors are Mr. Lan Lei, 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.*