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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)

## MAJOR AND CONNECTED TRANSACTION

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**



### **THE AGREEMENT**

The Board is pleased to announce that on 25 May 2023 (after trading hours of the Stock Exchange), the Company entered into the Agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Capital for the consideration of RMB51.2 million (subject to downward adjustment).

### **LISTING RULES IMPLICATIONS**

The Vendor is the controlling shareholder (as defined under the Listing Rules) of the Company, holding approximately 30% 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 transaction 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) letter from the Independent Board Committee; (iii) letter from the independent financial adviser; (iv) a notice of EGM; and (v) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 16 June 2023.

On 25 May 2023 (after trading hours of the Stock Exchange), the Company entered into the Agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Capital for the consideration of RMB51.2 million (subject to downward adjustment).

## **THE AGREEMENT**

The principal terms of the Agreement are as follows:

Date: 25 May 2023 (after trading hours of the Stock Exchange)

Parties: (1) The Company (as the purchaser); and

(2) The Vendor.

The Vendor 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 and scrap metals recycling and the construction. As at the date of this announcement, (i) the Vendor is owned as to approximately 64.08% and 35.92% by Mr. Bian Yu and Keyuan Enterprise respectively; and (ii) the Vendor is the controlling shareholder (as defined under the Listing Rules) of the Company, holding approximately 30% of the Company's issued share capital. Therefore, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

To the best knowledge and information available to the Company, Keyuan Enterprise is owned as to 25%, 25%, 25% and 25% by Ms. Xu Shujiao (徐淑嬌), Ms. Shou Kexia (壽可霞), Mr. Zhang Yuanyuan (章袁遠) (who is an executive Director) and Mr. Zhu Xianbo (祝賢波) (who is a non-executive Director), respectively.

### **Assets to be acquired**

Pursuant to the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Capital, representing 95% of the equity interest in the Target Company.

### **Consideration**

The total consideration for the Acquisition shall be RMB51.2 million (subject to downward adjustment).

Prior to entering into the Agreement, the Company and the Vendor has entered into a non-legally binding memorandum of understanding in relation to the Acquisition, pursuant to which the Company has paid to the Vendor an amount of RMB3 million as refundable earnest money, which shall be applied for payment for part of the consideration upon Completion. Pursuant to the Agreement, the Company will pay the Vendor part of the consideration in the amount of RMB27 million in cash within five Business Days from the date of Completion and the remaining consideration in the amount of RMB21.2 million shall be payable by the Company in cash to the Vendor within one year after the Completion. The consideration will be financed by the internal resources of the Company.

The consideration for the Acquisition will be adjusted downward in the following circumstances:

- (a) if upon Completion there is any liabilities not disclosed in the management accounts of the Target Company or not approved in advance by the Company, the Company is entitled to deduct the relevant amount from the total consideration for the Acquisition or if the total consideration of the Acquisition has already been paid, the Vendor shall pay the relevant amount to the Company within 1 month upon notification from the Company;

- (b) if the account receivables of the Target Company have remained overdue for more than twelve months, such account receivables will be considered as bad debts of the Target Company and the Company is entitled to deduct the relevant amount from the total consideration for the Acquisition or if the total consideration for the Acquisition has already been paid, the Vendor shall pay the relevant amount to the Company within 1 month upon notification from the Company;
- (c) all account payables, costs and expenses and/or financial loss incurred by the Target Company due to any payment, litigation, arbitration, administrative penalty or other legal proceedings resulting from any non-compliance incidents of the Target Company that occurred before the Completion Date will be borne by the Vendor and the Company is entitled to deduct the relevant amount from the total consideration for the Acquisition or if the total consideration for the Acquisition has already been paid, the Vendor shall pay the relevant amount of the Company within 1 month upon notification from the Company; and
- (d) the Vendor will be responsible for timely and full payment of taxes incurred with respect to the transactions contemplated under the Agreement in accordance with the relevant PRC laws, regulations and the other regulatory documents. If the Company or the Target Company suffers any loss due to the above tax obligation, the Company is entitled to deduct the relevant amount from the total consideration for the Acquisition or if the total consideration of the Acquisition has already been paid, the Vendor shall pay the relevant amount to the Company within 1 month upon notification from the Company.

The consideration was determined after arms' length negotiations between the parties with reference to, among other things, the valuation of 100% equity interest in the Target Company as at the Valuation Benchmark Date at RMB53.9 million, conducted by Roma Appraisals Limited, the Valuer.

The Valuer adopted the income-based approach with the use of the discounted cash flow method in arriving at the conclusion on the valuation of the market value of 100% equity interest in the Target Company as at the Valuation Benchmark Date, which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The principal assumptions adopted by the Valuer in the Valuation Report are set out in the section headed “Valuation Assumptions” in this announcement. McMillan Woods (Hong Kong) CPA Limited, the reporting accountants of the Company, has reported on the arithmetic accuracy of the calculations of the discounted cash flow forecast underlying the valuation. The full text of McMillan Woods (Hong Kong) CPA Limited’s letter is set out in Appendix I to this announcement. A letter from the Board in relation to the discounted cash flow forecast is also set out in Appendix II to this announcement.

### **Conditions precedent**

The 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 and the Target Company 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 Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (4) the Company being satisfied with the results of the due diligence review to be conducted in relation to the Target Company;
- (5) the obtaining of a valuation report from the valuer designated by the Company confirming that the valuation of the 95% equity interest in the Target Company is not less than RMB51.2 million;
- (6) from the date of the Agreement and up to the Completion Date, no events having occurred which may result in any material adverse effect on the Target Company; and
- (7) from the date of the Agreement and up to the Completion Date, the Warranties remaining true and accurate and not misleading.

The Company may at its absolute discretion at any time waive in writing any of the conditions (4), (6) and (7) above and such waiver may be made subject to such terms and conditions as may be determined by the Company. Other than conditions (4), (6) and (7), all other conditions set out above are not waivable. If 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 31 July 2023 (or such later date as may be agreed between the Vendor and the Company in writing), the Agreement shall cease and determine, and the Vendor shall return the earnest money in the amount of RMB3 million to the Company within 3 Business Days. 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 fifteen Business Days after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Agreement. After Completion, the Target Company shall be owned as to 95% and 5% by the Company and Mr. Yang Boming (楊波明) respectively. Upon Completion, the Target Company will be a subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial accounts of the Company.

### **Profit Guarantee**

From 1 January 2023 to 31 December 2027, the Vendor undertakes with the Company that the Target Company will meet the following profit guarantee in each of the five financial years as follows:

- (i) the reviewed annual net profit after tax for the year ending 31 December 2023 shall be not less than RMB4,150,917;
- (ii) the reviewed annual net profit after tax for the year ending 31 December 2024 shall be not less than RMB5,669,158;
- (iii) the reviewed annual net profit after tax for the year ending 31 December 2025 shall be not less than RMB5,669,158;

- (iv) the reviewed annual net profit after tax for the year ending 31 December 2026 shall be not less than RMB5,669,158; and
- (v) the reviewed annual net profit after tax for the year ending 31 December 2027 shall be not less than RMB5,594,158.

An auditor appointed by the Company shall review the financial report prepared by the Target Company in accordance with the China Accounting Standards for Business Enterprises for the relevant periods and issue the review report within five months after the end of the relevant periods respectively, and such review reports shall then be final, conclusive and binding on the Vendor and the Company.

If the reviewed annual net profit of the Target Company for any of the above-mentioned financial year is lower than the corresponding annual guaranteed net profit as agreed, the Company shall be entitled to request the Vendor to fulfill its obligation to pay the full amount of compensation for the difference between the actual net profit of the Target Company and the guaranteed net profit for the relevant financial year within seven Business Days from the date of the review report for that financial year.

The Company will comply with the relevant disclosure requirements (including Rule 14A.63 of the Listing Rules) in the event that the actual performance of the profit guarantee as set out above fails to meet the relevant guarantee.

## **VALUATION ASSUMPTIONS**

The valuer adopted the income-based approach to arrive at the market value of 100% equity interest in the Target Company as at the Valuation Benchmark Date. Through the use of the income-based approach, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The principal assumptions are set out as follows:

- The unaudited financial statements of the Target Company as at 31 March 2023 could reasonably represent its financial position since the audited financial statements were not available;
- The valuation was mainly based on the projections of the future cash flows as confirmed by the management of the Company, the Target Company and/or their representative(s) (the “**Management**”) as at the Valuation Benchmark Date. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- The Target Company would be operated and developed as planned by the Management throughout the forecast period, and the development would be in line with the financial projection;
- As advised by the Management, RMB18,027,507 of the amount due from director would be waived with reference to the waiver letter provided by the Management dated 31 March 2023;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Target Company operates, and the Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company; and
- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

McMillan Woods (Hong Kong) CPA Limited confirms that it has reviewed the calculations for the discounted cash flow forecast underlying the valuation.

The letter from McMillan Woods (Hong Kong) CPA Limited and the letter from the Board in relation to the discounted cash flow forecast are set out in the Appendices I and II, respectively to this announcement in accordance with Rule 14.62 of the Listing Rules.



## **EXPERTS QUALIFICATION AND CONSENTS**

The qualifications of the experts who have given their opinion(s) or advice in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants
Roma Appraisals Limited	Valuer

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, each of McMillan Woods (Hong Kong) CPA Limited and the Valuer is a third party independent of the Group and its connected persons and as at the date of this announcement:

1. none of the above experts has any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group;
2. each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter(s), report(s), opinion(s) and/or references to its name in the form and context in which they are included; and
3. none of the above experts has any interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited annual financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company established in the PRC and is principally engaged in solar power generation business in the PRC. As at the date of this announcement, the Target Company holds a 12 MWp distributed photovoltaic power generation project and has entered into a electricity sale contract with 國網浙江諸暨市供電有限公司 (State Grid Zhejiang Zhuji Power Supply Company Limited\*), a stated owned enterprise, for a term of three years and automatically renewed for another term of three years expiring in December 2023.

As at the date of this announcement, (i) the Target Company is owned as to 95% and 5% by the Vendor and Mr. Yang Boming (楊波明) respectively; and (ii) the Target Company has a registered capital of RMB20 million which has been fully paid up. The Vendor acquired its 95% equity interest in the Target Company at the original costs of RMB19 million.

Set out below are the net profits (both before and after taxation) of the Target Company based on the unaudited management accounts of the Target Company prepared in accordance with HKFRS, for the two financial years ended 31 December 2022 and 2021:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	(unaudited)	(unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net profit before and after taxation	2,105	2,443

As at 31 December 2021 and 31 December 2022, the net liabilities of the Target Company was approximately RMB3,412,000 and RMB969,000, respectively, based on the unaudited management accounts of the Target Company prepared in accordance with HKFRS. As at 31 March 2023, the net asset of the Target Company was approximately RMB16,795,000 based on the unaudited management accounts of the Target Company prepared in accordance with HKFRS.

## **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 30% by the Vendor as at the date of this announcement.

The Board believes that the Acquisition will provide an investment opportunity for the Company to diversify its business portfolio by entering into the new energy market in the PRC. The Company has tapped into wind power market in the PRC in 2020. The Acquisition, if materialised, will allow the Company to tap into the solar power market in the PRC and further consolidate its position in the new energy market in the PRC. The Board believes that by entering into Agreement, the Group can 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.

Taking into consideration that there has been a trend in governmental policies and regulations to encourage and enforce environmental protection, the Directors are of the view that the Acquisition will provide a good investment opportunity for the Group to participate in the promising and growing new energy industry in the PRC. Based on the above, the Directors consider that the Acquisition can further enhance the value of the Group and maximise the returns to the Shareholders.

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% by Mr. Bian Yu, each of Mr. Bian Yu, Ms. Bian Shu (sister of Mr. Bian Yu), Mr. Zhang Yuanyuan (spouse of Ms. Bian Shu) and Mr. Zhu Xian Bo (who is interested in 25% equity interest in Keyuan Enterprise) is interested or deemed to be interested in the Agreement and the transactions contemplated thereunder and has abstained from voting in respect of the Board resolution approving the Agreement and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

The Vendor is the controlling shareholder (as defined under the Listing Rules) of the Company, holding approximately 30% 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 transaction 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) letter from the Independent Board Committee; (iii) letter from the independent financial adviser; (iv) a notice of EGM; and (v) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 16 June 2023.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Capital by the Company from the Vendor
“Agreement”	the agreement dated 25 May 2023 entered into between the Vendor and the Company 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
“China Accounting Standards for Business Enterprises”	financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
“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
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement
“Completion Date”	the date falling within the 15 Business Days after the fulfilment (or waiver, as the case may be) of all conditions precedent under the Agreement

“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
“Keyuan Enterprise”	諸暨市科源企業管理有限公司 (Zhuji Keyuan Enterprise Management Co., Ltd.*), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MWp”	Megawatt peak, a unit of measurement for the output of power from solar
“PRC”	the People’s Republic of China
“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 6 regulated activity (advising on corporate finance)
“Sale Capital”	95% equity interest in the Target Company held by the Vendor
“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
“Target Company”	浙江天潔新能源股份有限公司 (Zhejiang Tianjie New Energy Co., Ltd.*), a company established in the PRC with limited liability
“Valuation Benchmark Date”	31 March 2023
“Valuer”	Roma Appraisals Limited, an independent professional valuer
“Valuation Report”	the valuation report in respect of the market value of the 100% equity interest in the Target Company as at the Valuation Benchmark Date, which was issued by the Valuer

“Vendor”	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 (as defined under the Listing Rules) of the Company holding approximately 30% of the issued share capital of the Company as at the date of this announcement
“Warranties”	the warranties and representations given by the Vendor in the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* *In this announcement, the English names of certain PRC entities 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. ZHU Xian Bo**  
*Chairman and non-executive Director*

Zhuji City, Zhejiang Province, the PRC, 25 May 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. CHEN Jiancheng, Mr. ZHU Xian Bo and Mr. LAN Lei; and the independent non-executive Directors are Mr. ZHANG Bing, Mr. FUNG Kui Kei and Mr. LI Jiannan.*

## APPENDIX I – LETTER FROM THE REPORTING ACCOUNTANTS

*The following is the text of a letter from McMillan Woods (Hong Kong) CPA Limited, the reporting accountants of the Company, for the purpose of inclusion in this announcement.*



**McMillan Woods (Hong Kong) CPA Limited**

24/F., Siu On Centre, 188 Lockhart Road,  
Wan Chai, Hong Kong

**長青**

(香港) 會計師事務所有限公司  
香港灣仔駱克道188號  
兆安中心24樓

25 May 2023

The Board of Directors  
Zhejiang Tengy Environmental Technology Co., Ltd  
Room 1201, 12th Floor,  
Chung Ying Building,  
20 Connaught Road West,  
Sheung Wan, Hong Kong

Dear Sirs,

**Zhejiang Tengy Environmental Technology Co., Ltd (“the Company”) and its subsidiaries (collectively referred to as “the Group”) on the discounted cash flow forecast in connection with the valuation of equity interest in Zhejiang Tianjie New Energy Co., Ltd**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 25 May 2023 prepared by Roma Appraisals Limited in respect of Zhejiang Tianjie New Energy Co., Ltd. (the “**Target Company**”) as at 31 March 2023 is based. The valuation is in connection with the acquisition of 95% equity interest in the Target Company, as set out in the Company’s announcement dated 25 May 2023 (the “**Announcement**”). The valuation based on Forecast is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).



## **Directors' Responsibilities**

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of Forecast. The Forecast has been prepared using a set bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Valuation Assumptions” of the Announcement.

## **Our Independence and Quality Control**

We have complied with the ethical requirements of the Code of Ethics for Professional Accountants (“**the Code**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the independence requirements in Part 4A, Chapter A of the Code.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' Responsibility**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Company. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions as set out in the Announcement.

Yours faithfully,

**McMillan Woods (Hong Kong) CPA Limited**

*Certified Public Accountants*

Hong Kong

25 May 2023

## APPENDIX II – LETTER FROM THE BOARD

Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place, Central, Hong Kong

Dear Sirs,

Re: Zhejiang Tengy Environmental Technology Co., Ltd (the “**Company**”)

We refer to the announcement of the Company dated 25 May 2023 (the “**Announcement**”). Unless the context otherwise requires, capitalised terms defined in the Announcement shall have the same meanings when used herein.

Reference is made to the valuation report (the “**Valuation Report**”) dated 25 May 2023 prepared by Roma Appraisals Limited, an independent valuer (the “**Valuer**”), in relation to the valuation in respect of the market value of the 100% equity interest in the Target Company as at the Valuation Benchmark Date. The valuation is prepared on the discounted cash flow basis under the income-based approach, which is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer and reviewed the assumptions based upon which the Valuation Report was prepared. We have also engaged McMillan Woods (Hong Kong) CPA Limited to report on the arithmetical accuracy of calculations of the forecast used in the Valuation Report and considered the letter from McMillan Woods (Hong Kong) CPA Limited.

Based on the aforesaid, we confirm that the profit forecast as contained in the Valuation Report have been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the board of Directors

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

**Mr. ZHU Xian Bo**

*Chairman and non-executive Director*