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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)

CONTINUING CONNECTED TRANSACTION

2024 PROCESSING SERVICES AGREEMENT

On 2 January 2024 (after trading hours of the Stock Exchange), the Company entered into the 2024 Processing Services Agreement with Tianjie General Machinery, pursuant to which Tianjie General Machinery agreed to provide the services of processing mechanical parts and semi-finished products of environmental protection equipment to the Company. The annual cap for the service fees under the 2024 Processing Services Agreement will not exceed RMB8.8 million throughout the term thereof.

LISTING RULES IMPLICATIONS

TGL is the controlling shareholder of the Company, holding approximately 30% of the issued share capital of the Company as at the date of this announcement. Tianjie General Machinery is a wholly-owned subsidiary of TGL. Therefore, Tianjie General Machinery is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Processing Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the annual caps of the transactions contemplated under the 2024 Processing Services Agreement is less than 25% and the aggregate annual cap is less than HK\$10,000,000, the transactions contemplated under the 2024 Processing Services 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.

BACKGROUND

Reference is made to the announcement of the Company dated 4 January 2021 in relation to, among other things, the 2021 Processing Services Agreement. As the 2021 Processing Services Agreement has expired on 31 December 2023, on 2 January 2024 (after trading hours of the Stock Exchange), the Company entered into the 2024 Processing Services Agreement with Tianjie General Machinery to continue the transactions under the 2021 Processing Services Agreement for a term of three years. Pursuant to the 2024 Processing Services Agreement, Tianjie General Machinery agreed to provide the services of processing mechanical parts and semi-finished products of environmental protection equipment to the Company. The annual cap for the service fees under the 2024 Processing Services Agreement will not exceed RMB8.8 million throughout the term thereof. The principal terms of the 2024 Processing Services Agreement are set out below.

2024 PROCESSING SERVICES AGREEMENT

Date

2 January 2024 (after trading hours of the Stock Exchange)

Parties

- (a) The Company; and
- (b) Tianjie General Machinery.

Services

Pursuant to the 2024 Processing Services Agreement, Tianjie General Machinery agreed to provide the services of processing mechanical parts and semi-finished products of environmental protection equipment to the Company.

Service fees and payment term

The service fees for the processing services payable by the Company to Tianjie General Machinery will be determined by the parties in accordance with (i) the historical service fees paid by the Company to Tianjie General Machinery for the provision of the processing services; (ii) the prevailing market price; (iii) the process of the processing services; (iv) the relevant labour costs to be incurred by Tianjie General Machinery for the provision of processing services; and (v) the quality requirement of the Company for the provision of processing services.

The service fees under the 2024 Processing Services Agreement shall be payable on a monthly basis and shall be settled by the Company on the last business day of each month.

Term

The 2024 Processing Services Agreement has a term of three years commencing from 1 January 2024 up to 31 December 2026.

Historical figures

The existing annual caps for the 2021 Processing Services Agreement and the historical amount of fees paid by the Company to Tianjie General Machinery under the 2021 Processing Services Agreement are as follows:

	For the year ended 31 December 2021 (audited) RMB million	For the year ended 31 December 2022 (audited) RMB million	For the year ending 31 December 2023 (unaudited) RMB million
Fees paid by the Company to Tianjie General Machinery for the provision of processing services	4.448	4.49	3.65
Annual caps	4.5	4.5	4.5

Proposed annual caps and basis of determination

Pursuant to the terms of the 2024 Processing Services Agreement, the proposed annual caps for the continuing connected transactions thereunder will not exceed RMB8.8 million for each of the three years ending 31 December 2026.

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (a) the historical amount of fees paid by the Company to Tianjie General Machinery for the provision of the processing services under the 2021 Processing Services Agreement;
- (b) the business development of the members of the Group; and
- (c) the expected increase in the demand for the processing services of the Company for its daily operation due to the promotion of green environment and the increasingly stringent environmental protection policies in the PRC which urge for replacements of environmental protection equipment.

The Company will continue to closely monitor the implementation of the 2024 Processing Services Agreement, and take prompt actions to make necessary disclosures and/or obtain the necessary approval from its independent Shareholders in the event that any adjustment to the annual caps becomes foreseeable.

Reasons and benefits for the 2024 Processing Services Agreement

The Group is principally engaged in design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products.

Tianjie General Machinery is principally engaged in the business of manufacturing and sales, metal processing for machineries, metallurgical machineries, cement machineries, printing machineries and general components and research and development, manufacturing and sales of wind turbines and equipment. Tianjie General Machinery is a wholly owned subsidiary of TGL. TGL is owned as to 64.08% and 35.92% by Mr. Bian Yu and 諸暨市科源企業管理有限公司 (for transliteration purpose only, Zhuji Keyuan Enterprise Management Co., Ltd.) (“**Keyuan Enterprise**”), respectively.

The Directors (including the independent non-executive Directors) are of the view that the engagement of Tianjie General Machinery as service provider can help the Group leverage on the extensive experience of Tianjie General Machinery in processing services and ensure a smooth business operation of the Group, thereby bringing benefits to the sustainable development of the Group.

In order to ensure that the terms of the provision of processing services from Tianjie General Machinery are fair and reasonable and in line with market practices, the Company will make regular contacts with independent suppliers to keep the Company abreast of the market conditions. Further, before the Company places any order for the processing services, the Company will also obtain quotations for comparable processing services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at competitive price.

In view of the above, the Directors consider that the entering into the 2024 Processing Services Agreement is in the best interest of the Company and its Shareholders as a whole. They also consider that the 2024 Processing Services Agreement has been negotiated on an arm's length basis and the continuing connected transactions contemplated under the 2024 Processing Services Agreement are entered into in the ordinary and usual course of business of the Company on normal commercial terms and that the terms of the continuing connected transactions under the 2024 Processing Services Agreement and the proposed annual caps thereof are fair and reasonable.

Mr. Bian Yu is a shareholder of TGL, and Mr. Bian Yu is the brother of Ms. Bian Shu and the brother-in-law of Mr. Zhang Yuanyuan. Mr. Zhu Xianbo is interested in 25% equity interest of Keyuan Enterprise, a shareholder of TGL. Each of Mr. Bian Yu, Ms. Bian Shu, Mr. Zhang Yuanyuan and Mr. Zhu Xianbo is therefore materially interested in the transactions contemplated under the 2024 Processing Services Agreement and has abstained from voting on the board resolution approving the 2024 Processing Services Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

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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 incorporated under the laws of the PRC on 28 December 2009, the 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
“Group”	the Company and its subsidiaries
“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
“2021 Processing Services Agreement”	the processing services agreement dated 4 January 2021 entered into between the Company and Tianjie General Machinery for the provision of processing services by Tianjie General Machinery to the Company

“2024 Processing Services Agreement”	the processing services agreement dated 2 January 2024 entered into between the Company and Tianjie General Machinery for the provision of processing services by Tianjie General Machinery to the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjie General Machinery”	Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司), a company incorporated in the PRC with limited liability and is wholly owned by TGL
“TGL”	Tengy Group Limited, also known as Tianjie Group Co., Ltd.* (天潔集團有限公司), a company incorporated in the PRC with limited liability and is a controlling shareholder of the Company holding approximately 30% interest in the Company as at the date of this announcement
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Zhejiang Tengy Environmental Technology Co., Ltd
Zhu Xian Bo
Chairman

Zhuji City, Zhejiang Province, the PRC, 2 January 2024

As at the date of this announcement, the executive directors of the Company are Mr. BIAN Yu, Mr. ZHANG Yuan Yuan and Ms. BIAN Shu; the non-executive directors of the Company are Mr. ZHU Xian Bo, Ms. YU Ji and Mr. CHEN Jiancheng; and the independent non-executive directors of the Company are Mr. FUNG Kun Kei, Mr. LI Jiannan and Mr. WANG Feng.

* For identification purpose only