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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 TRANSACTIONS

### **2023 THIRD LEASE AGREEMENT**

On 1 October 2023 (after trading hours of the Stock Exchange), the Company as lessee entered into the 2023 Third Lease Agreement with Tianyu Industry as lessor for the leasing of the Office Premises B for the term of one year commencing from 1 October 2023 and expiring on 30 September 2024 for an annual rental amount of RMB375,000. The 2023 Third Lease Agreement constituted a continuing connected transaction on the part of the Company and as the highest applicable percentage ratio with respect to the annual cap of the 2023 Third Lease Agreement is less than 5% and the annual cap of the 2023 Third Lease Agreement is less than HK\$3,000,000, the 2023 Third 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.

### **2024 FIRST LEASE AGREEMENT**

On 1 January 2024 (after trading hours of the Stock Exchange), the Company as lessee entered into the 2024 First Lease Agreement with Tianyu Industry as lessor for the leasing of the Office Premise A for the term of one year commencing from 1 January 2024 and expiring on 31 December 2024 for an annual rental amount of RMB483,000. The 2024 First Lease Agreement constituted a continuing connected transaction on the part of the Company and as the highest applicable percentage ratio with respect to the annual cap of the 2024 First Lease Agreement is less than 5% and the annual cap of the 2024 First Lease Agreement is less than HK\$3,000,000, the 2024 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.

## **2024 SECOND LEASE AGREEMENT**

On 12 April 2024 (after trading hours of the Stock Exchange), the Company as lessee entered into the 2024 Second Lease Agreement with TGL as lessor in respect of the leasing of the Plant and Equipment for a term of one year commencing from 14 April 2024 and expiring on 13 April 2025 for an annual rental amount of RMB3.5 million.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) TGL is a substantial shareholder of the Company, holding approximately 30% 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 2024 Second Lease Agreement constitute a 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 2024 Second Lease Agreement (when aggregated with the 2023 Third Lease Agreement and the 2024 First Lease Agreement) is less than 5%, the transactions contemplated under 2023 Third Lease Agreement, 2024 First Lease Agreement and 2024 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 2023 Third Lease Agreement, 2024 First Lease Agreement and 2024 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.

## 2023 THIRD LEASE AGREEMENT

On 1 October 2023 (after trading hours of the Stock Exchange), the Company as lessee entered into the 2023 Third Lease Agreement with Tianyu Industry as lessor for the leasing of the Office Premises B for a term of one year commencing from 1 October 2023 and expiring on 30 September 2024 for an annual rental amount of RMB375,000. The principal terms of the 2023 Third Lease Agreement are set out below:

Date:	1 October 2023 (after trading hours of the Stock Exchange)
Parties	(a) The Company (as lessee); and  (b) Tianyu Industry (as lessor).
Office premises:	6th Floor of Tianjie Building situated at No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, China with gross floor area of 1,283.85 square meter
Term:	One year from 1 October 2023 to 30 September 2024
Rent:	RMB375,000 per annum (exclusive of management, water, electricity, broadband and communication fees chargeable by PRC government), which was determined with reference to the (i) the historical annual rental amount and (ii) 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 2023 Third Lease Agreement is RMB375,000, which is equivalent to the annual rental amount under the 2023 Third Lease Agreement.

The 2023 Third 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 2023 Third Lease Agreement is less than 5% and the annual cap of the 2023 Third Lease Agreement is less than HK\$3,000,000, the 2023 Third Lease Agreement constituted a de minimis transaction under Rules 14A.76 of the Listing Rules and is fully exempt from the requirements under chapter 14A of the Listing Rules.

## 2024 FIRST LEASE AGREEMENT

On 1 January 2024 (after trading hours of the Stock Exchange), the Company as lessee entered into the 2024 First Lease Agreement with Tianyu Industry as lessor for the leasing of the Office Premises A for a term of one year commencing from 1 January 2024 and expiring on 31 December 2024 for an annual rental amount of RMB483,000. The principal terms of the 2024 First Lease Agreement are set out below:

Date:	1 January 2024 (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 1176.11 square meter
Term:	One year from 1 January 2024 to 31 December 2024
Rent:	RMB483,000 per annum (exclusive of management, water, electricity, broadband and communication fees chargeable by PRC government), which was determined with reference to (i) the historical annual rental amount and (ii) 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 2024 First Lease Agreement is RMB483,000, which is equivalent to the annual rental amount under the 2024 First Lease Agreement.

The 2024 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 2024 First Lease Agreement is less than 5% and the annual cap of the 2024 First Lease Agreement is less than HK\$3,000,000, the 2024 First Lease Agreement constituted a de minimis transaction under Rules 14A.76 of the Listing Rules and is fully exempt from the requirements under chapter 14A of the Listing Rules.

## 2024 SECOND LEASE AGREEMENT

On 12 April 2024 (after trading hours of the Stock Exchange), the Company as lessee entered into the 2024 Second Lease Agreement with TGL as lessor in respect of the leasing of the Plant and Equipment for a term of one year commencing from 14 April 2024 and expiring on 13 April 2025 for an annual rental amount of RMB3.5 million. The principal terms of the 2024 Second Lease Agreement are set out below:

- Date: 12 April 2024 (after trading hours of the Stock Exchange)
- Parties (a) The Company (as lessee); and  
(b) TGL (as lessor).
- Office premises: 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
- Term: One year from 14 April 2024 to 13 April 2025
- Rent: RMB3.5 million per annum (exclusive of management, water, electricity, broadband and communication fees chargeable by PRC government), which was determined with reference to (i) the historical annual rental amount and (ii) 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 2024 Second Lease Agreement is RMB3.5 million, which is equivalent to the annual rental amount under the 2024 Second Lease Agreement.

## HISTORICAL TRANSACTION AMOUNTS

The table below sets forth the historical transaction amounts of transactions under the 2023 First Lease Agreement, the 2023 Second Lease Agreement and the 2023 Third Lease Agreement for the period from 1 January 2023 to 31 December 2023:

	<b>For the period from 1 January 2023 to 31 December 2023 RMB'000</b>
Rental paid under 2023 First Lease Agreement	483
Rental paid under 2023 Second Lease Agreement	2,479
Rental paid under 2023 Third Lease Agreement	<u>94</u>
Total rental paid	<u><u>3,056</u></u>

## REASONS AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

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% and controlled by TGL as at the date of this announcement. 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. 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.

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.

Office Premises B and Office Premises A rented under the 2023 Third Lease Agreement and 2024 First Lease Agreement, respectively, are used as offices by the Group. The terms of each of the 2023 Third Lease Agreement and 2024 First Lease Agreement were negotiated on an arm's length basis between the parties with reference to the historical annual rental amounts and the prevailing market rates for similar office premises in similar locations in the PRC.

The Plant and Equipment leased to the Company under 2024 Second Lease Agreement are used for the Company's manufacturing activities, namely, manufacturing of environmental pollution prevention equipment and electronic products. It would be beneficial to enter into the 2024 Second Lease Agreement and continue to lease the Plant and Equipment as it will enable the Company to secure its stable operation without incurring additional costs and expenses in identifying, renovating and relocating to other plant and ensure that there will be no disruption to the operations, business and growth of the Group. The terms of the 2024 Second Lease Agreement were negotiated on an arm's length basis between the parties with reference to the historical annual rental amount and prevailing market rates for similar plant and equipment in similar locations in the PRC.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms and conditions of each of the Lease Agreements 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 each of the Lease Agreements is in the interests of the Company and the Shareholders as a whole.

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 Lease Agreements and has abstained from voting on the board resolutions approving the Lease Agreements and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) TGL is the substantial shareholder of the Company, holding approximately 30% 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 2024 Second Lease Agreement constitute a 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 2024 Second Lease Agreement (when aggregated with the 2023 Third Lease Agreement and the 2024 First Lease Agreement) is less than 5%, the transactions contemplated under 2023 Third Lease Agreement, 2024 First Lease Agreement and 2024 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 2023 Third Lease Agreement, 2024 First Lease Agreement and 2024 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:

“2023 First Lease Agreement”	the lease agreement dated 1 January 2023 entered into between the Company and Tianyu Industry for the leasing of the Office Premise A to the Company
“2023 Second Lease Agreement”	the lease agreement dated 14 April 2023 entered into between the Company and TGL for the leasing of the Plant and Equipment to the Company



“2023 Third Lease Agreement”	the lease agreement dated 1 October 2023 entered into between the Company and Tianyu Industry for the leasing of the Office Premise B to the Company
“2024 First Lease Agreement”	the lease agreement dated 1 January 2024 entered into between the Company and Tianyu Industry for the leasing of the Office Premise A to the Company
“2024 Second Lease Agreement”	the lease agreement dated 12 April 2024 entered into between the Company and TGL for the leasing of the Plant and Equipment to the Company
“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
“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
“Lease Agreements”	2023 Third Lease Agreement, 2024 First Lease Agreement and 2024 Second Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Office Premise A”	23rd Floor of Tianjie Building situated at No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, China with gross floor area of 1176.11 square meter
“Office Premises B”	6th Floor of Tianjie Building situated at No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, China with gross floor area of 1,283.85 square meter
“Plant and Equipment”	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
“PRC”	the People’s Republic of China
“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
“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 30% 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**  
**ZHU Xian Bo**  
*Chairman*

Zhuji City, Zhejiang Province, the PRC, 12 April 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.*