

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

PROCESSING SERVICES AGREEMENT

The Board is pleased to announce on 1 April 2020 (after trading hours of the Stock Exchange), the Company entered into a Processing Services Agreement with Tianjie New Material for a term of three years. Pursuant to the Processing Services Agreement, Tianjie New Material agreed to provide processing services of rock wool to the Company. The annual cap for the service fees under the Processing Services Agreement will not exceed RMB3 million throughout the term of the agreement.

LISTING RULES IMPLICATIONS

TGL is the controlling shareholder of the Company, holding approximately 34.2% of the issued share capital of the Company as at the date of this announcement. Tianjie New Material is a wholly-owned subsidiary of TGL. Therefore, Tianjie New Material is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Processing Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 9 April 2018, the Company has entered into the Supplemental Processing Services Agreement with Tianjie General Machinery on 6 April 2018, pursuant to which Tianjie General Machinery agreed to provide processing services to the Company for a term up to 31 December 2020. Since Tianjie New Material and Tianjie General Machinery are both wholly-owned subsidiaries of TGL and the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) are of a similar nature, the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) shall be aggregated under Rule 14A.83 of the Listing Rules.

As the highest applicable percentage ratio of the aggregated annual caps of the transactions contemplated under each of the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) is more than 0.1% but less than 5%, these transactions are subject to the reporting, announcement and annual review requirements and are exempt from the circular (including independent financial advice) and Shareholders' approval requirements as required under Chapter 14A of the Listing Rules.

The Board is pleased to announce on 1 April 2020 (after trading hours of the Stock Exchange), the Company entered into a Processing Services Agreement with Tianjie New Material for a term of three years.

PROCESSING SERVICES AGREEMENT

The principal terms of the Processing Services Agreement are set out as follows:

Date

1 April 2020 (after trading hours of the Stock Exchange)

Parties

- (a) The Company; and
- (b) Tianjie New Material.

Subject matter

Subject to the terms and conditions of the Processing Services Agreement, Tianjie New Material agreed to provide processing services of rock wool to the Company.

Term

The Processing Services Agreement is for a term of three years up to 31 March 2023.

Service fees

The service fees for the processing services payable by the Company to Tianjie New Material will be determined by the parties in accordance with (i) the process of the processing services; (ii) the relevant labour costs to be incurred by Tianjie New Material for the provision of processing services; (iii) the quality requirement of the Company for the provision of processing services; and (iv) for every batch of rock wool, processing service fee shall be determined by Tianjie New Material with reference to prevailing market price.

The service fee shall be settled on a monthly basis.

Annual cap

The annual cap for the service fees under the Processing Services Agreement will not exceed RMB3 million throughout the term of the agreement.

The annual cap is determined and calculated by the Company based on the following factors:–

- (a) the service demand of the Company for its daily operation, including the increases in the volume and scope of services resulting from the natural growth of business volume;
- (b) the business development of the members of the Group; and
- (c) the anticipated rise in labour costs, the anticipated increase in management fees as well as updating and upgrading costs in the next three years.

Reasons and benefits of entering into the Processing Services Agreement

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

Tianjie New Material is principally engaged in the manufacture, processing and sales of metal materials. Tianjie New Material is a wholly owned subsidiary of TGL. TGL is owned as to 64.08%, 22.81% and 13.11% by Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Zhu respectively.

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

The terms of the Processing Services Agreement, including the applicable annual cap, are normal commercial terms determined based on arm's length negotiation between the parties thereto.

In order to ensure that the purchases of processing services from Tianjie New Material 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 purchase order of the processing services, the Company will also obtain quotations from 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 the most competitive price.

In view of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Processing Services Agreement (including the annual cap) are fair and reasonable, the transaction under Processing Services Agreement is on normal commercial terms and has been entered into in the ordinary and usual course of business of the Company and is in the interest of the Shareholders as a whole.

Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Zhu are the shareholders of TGL, and Mr. Zhu Xianbo is a supervisor of Tianjie New Material, and they are therefore materially interested in the transaction under the Processing Services Agreement. They have abstained from voting on the board resolution approving the Processing Services Agreement and the transaction thereunder.

LISTING RULES IMPLICATIONS

TGL is the controlling shareholder of the Company, holding approximately 34.2% of the issued share capital of the Company as at the date of this announcement. Tianjie New Material is a wholly-owned subsidiary of TGL. Therefore, Tianjie New Material is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Processing Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 9 April 2018, the Company has entered into the Supplemental Processing Services Agreement with Tianjie General Machinery on 6 April 2018, pursuant to which Tianjie General Machinery agreed to provide processing services to the Company for a term up to 31 December 2020. Since Tianjie New Material and Tianjie General Machinery are both wholly-owned subsidiaries of TGL and the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) are of a similar nature, the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) shall be aggregated under Rule 14A.83 of the Listing Rules. For the detailed terms of the Supplemental Processing Services Agreement, please refer to the announcement of the Company dated 9 April 2018.

The aggregated annual caps for the transactions contemplated under the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) amount to RMB11.5 million. As the highest applicable percentage ratio of the aggregated annual caps of the transactions contemplated under each of the Processing Services Agreement and the Previous Processing Services Agreement (as amended by the Supplemental Processing Services Agreement) is more than 0.1% but less than 5%, these transactions are subject to the reporting, announcement and annual review requirements and are exempt from the circular (including independent financial advice) and Shareholders' approval requirements as required under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Processing Services Agreement”	the Processing Services Agreement dated 1 January 2018 entered into between the Company and Tianjie General Machinery for the provision of processing services by Tianjie General Machinery to the Company
“Processing Services Agreement”	the Processing Services Agreement dated 1 April 2020 entered into between the Company and Tianjie New Material for the provision of processing services by Tianjie New Material to the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Processing Services Agreement”	the Supplemental Processing Services Agreement dated 6 April 2018 entered into between the Company and Tianjie General Machinery for amending certain terms of the Previous Processing Services Agreement
“Tianjie General Machinery”	Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司), a company established in the PRC with limited liability and is wholly owned by TGL

“Tianjie New Material”	Zhejiang Tianjie New Material Co., Ltd.* (浙江天潔新材料有限公司), a company established 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 established in the PRC with limited liability and is a controlling shareholder of the Company holding approximately 34.2% interest in the Company as at the date of this announcement
“%”	per cent.

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

Zhuji City, Zhejiang Province, the PRC, 1 April 2020

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