
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhejiang Tengy Environmental Technology Co., Ltd (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected, for transmission to the purchaser or transferee. This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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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 incorporated in the People’s Republic of China with limited liability)
(Stock Code: 1527)

**(1) REPORT ON THE USE OF PROCEEDS FROM THE 2015 OFFERING
OF THE COMPANY**
**(2) REPORT ON THE RELATED PARTY TRANSACTIONS OF THE COMPANY
DURING THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2017
AND**
(3) NOTICE OF ANNUAL GENERAL MEETING

A letter from the Board is set out on pages 3 to 5 of this circular. A notice convening the annual general meeting of the Company (“AGM”) to be held at conference room, TENGY Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the People’s Republic of China at 10:00 a.m. on Friday, 15 June 2018, is set out on pages 15 to 16 of this circular.

If you intend to attend the AGM, please complete and return the applicable reply slip(s) in accordance with the instructions printed thereon as soon as possible and in any event by no later than Saturday, 26 May 2018.

Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the applicable proxy form in accordance with the instructions printed thereon. The proxy form must be signed by you or your attorney duly authorised in writing or, in case of a legal person, must either be executed under its seal or under the hand of its director or other attorney duly authorised to sign the same. If the proxy form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarised.

In the case of joint holders of shares of the Company, only the holder whose name appears first in the register of members of the Company shall alone be entitled to vote at the AGM either in person or by proxy in respect of such shares.

For H Shareholders, please return the proxy form together with any documents of authority to Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the AGM. For Domestic Shareholders, please return the proxy form together with any documents of authority to the registered office of the Company in the PRC at TENGY Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC as soon as possible, and in any event not later than 24 hours before the time appointed for holding the AGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

26 April 2018

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“2015 Offering”	the global offering conducted by the Company in October 2015
“AGM”	the annual general meeting of the Company to be convened and held on conference room, TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the People’s Republic of China at 10:00 a.m. on Friday, 15 June 2018, notice of which is set out on pages 15 to 16 of this circular, and any adjournment thereof
“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemental from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Zhejiang Tengy Environmental Technology Co., Ltd, a joint stock limited liability company incorporated under the laws of the PRC on 28 December 2009, the H Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 1527)
“Director(s)”	director(s) of the Company
“Domestic Shares”	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
“Domestic Shareholder(s)”	the holder(s) of the Domestic Share(s)
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB 1.00 each in the share capital of the Company, which is/are listed on the Hong Kong Stock Exchange and traded in HK\$
“H Shareholder(s)”	the holder(s) of the H Share(s)
“H Share Registrar”	Tricor Investor Services Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Latest Practicable Date”	24 April 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Date”	12 October 2015, on which dealings in Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemental from time to time
“PRC”	The People’s Republic of China which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares(s)”	the Domestic Share(s) and the H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company
“%”	per cent

LETTER FROM THE BOARD

浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1527)

Executive Directors:

Mr. BIAN Yu
Mr. BIAN Weican
Ms. BIAN Shu

Non-executive Directors:

Mr. BIAN Jianguang
Mr. ZHANG Yuanyuan
Mr. Chen Jiancheng

Independent Non-executive Directors

Mr. ZHANG Bing
Mr. YU Zhao Fei
Mr. FUNG Kui Kei

*Registered office and principal place
of business in the PRC:*

TENGY Industrial Park
Paitou Town
Zhuji City
Zhejiang Province
The PRC

*Principal place of business
in Hong Kong:*

Unit T, 6th Floor
Union Industrial Building
48 Wong Chuk Hang Road
Wong Chuk Hang
Aberdeen, Hong Kong

26 April 2018

To the Shareholders

Dear Sir or Madam,

- (1) REPORT ON THE USE OF PROCEEDS FROM THE 2015 OFFERING
OF THE COMPANY**
- (2) REPORT ON THE RELATED PARTY TRANSACTIONS OF THE COMPANY
DURING THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2017
AND**
- (3) NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information on, among other things, considering and approving (a) report on the use of proceeds from the 2015 Offering of the Company; (b) report on the related party transactions of the Company during the period from 1 January 2015 to 31 December 2017; and (c) notice of AGM, so that the Shareholders may make an informed decision on voting in respect of the resolutions to be tabled at the AGM.

A notice convening the AGM is set out on pages 15 to 16 to this circular.

LETTER FROM THE BOARD

2. REPORT ON THE USE OF PROCEEDS FROM THE 2015 OFFERING OF THE COMPANY

The details of the Company's use of proceeds from the 2015 Offering was set out in this circular. To keep the Shareholders abreast of latest development, the report on the Company's use of proceeds from the 2015 Offering as of 31 December 2017 is set out in Appendix I of this circular.

3. REPORT ON THE RELATED PARTY TRANSACTIONS OF THE COMPANY DURING THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2017

Details of the related party transactions of the Company during the period from 1 January 2015 to 31 December 2017 are set out in Appendix II of this circular.

4. ANNUAL GENERAL MEETING

The notice of the AGM is set out on pages 15 to 16 of this circular. At the AGM, resolutions will be proposed.

A form of proxy for use at the AGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tengy.com). Whether or not you intend to attend the AGM, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon not later than Saturday, 26 May 2018 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the AGM.

5. CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 15 May 2018 are entitled to attend and vote at the AGM. The register of members of the Company will be closed from Wednesday, 16 May 2018 to Friday, 15 June 2018, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend the AGM and to vote thereat as Shareholders, all transfers of H Shares together with the relevant share certificates must be delivered to the Company's H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 15 May 2018.

6. RECOMMENDATION

The Directors are of the view that all resolutions proposed for consideration and approval by the Shareholders at the AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions as set out in the notice of the AGM.

LETTER FROM THE BOARD

7. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

Zhuji City, Zhejiang Province, the PRC
26 April 2018

APPENDIX I REPORT ON THE USE OF PROCEEDS FROM THE 2015 OFFERING OF THE COMPANY

The English version of this appendix is an unofficial translation of the Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

I. PROCEEDS RAISED FROM THE PREVIOUS FUND RAISING EXERCISE

According to the “Reply on Approval of the Offering of Overseas Listed Foreign Shares of Zhejiang Tengy Environmental Technology Co., Ltd” (Zheng Jian Xu Ke [2015]527) issued by the China Securities Regulatory Commission on 1 April 2015, Zhejiang Tengy Environmental Technology Co., Ltd (hereinafter the “Company”) completed overseas initial public offering of H shares in PRC and applied for listing on the Hong Kong Stock Exchange upon completion of the Offering. The Company issued 35,000,000 H shares through the Hong Kong Stock Exchange with par value of RMB1.00 each at the issue price of HK\$10.90 per share on 12 October 2015. The total proceeds amounted to HK\$381,500,000.00 (equivalent to RMB311,337,382.17), interest income from freezing of funds amounted to HK\$163.07 (equivalent to RMB133.41). After deducting the underwriting fees and other offering expenses incurred, the proceeds amounted to HK\$364,769,335.97 (equivalent to RMB297,684,324.69) in aggregate. The said amount was made in place on 31 October 2015. The fund was verified by Ernst & Young Hua Ming LLP by issuing the Capital Verification Report ((2015) Yan Zi No. 61048157_K01). The net proceeds actually raised amounted to RMB274,513,698.58 after deducting other relevant listing expenses.

As at 31 December 2017, the account balance of proceeds amounted to HK\$59,163,887.85.

II. ACTUAL USE OF PROCEEDS RAISED FROM THE PREVIOUS FUND RAISING EXERCISE

Pursuant to the plan for use of proceeds as disclosed in the prospectus in relation to the overseas-listed foreign H shares issued by the Company in 2015, after deducting the offering expenses, the proceeds raised from the share offering will be applied in the acquisition of companies and businesses, construction of new production facilities at Turpan Environmental Technology Co., Ltd* (吐魯番天潔環境科技有限公司), acquisition of relevant machinery and recruitment of employees, investment in research and development, marketing campaigns, acquisition of companies and businesses, procurement of raw materials for new projects, repayment of bank borrowings, replenishment of working capital and other aspects.

Please see “Comparison table for the use of proceeds raised from the previous fund raising exercise” and “Comparison table for the actual effectiveness of the investment projects utilizing proceeds raised from the previous fund raising exercise” below for the actual use of proceeds raised from the previous fund raising exercise as at 31 December 2017.

APPENDIX I REPORT ON THE USE OF PROCEEDS FROM THE 2015 OFFERING OF THE COMPANY

Comparison table for the use of proceeds raised from the previous fund raising exercise

Unit: RMB

Total amount of proceeds: 274,513,698.58						Total amount of proceeds utilized accumulatively: 215,349,810.73				
Total amount of proceeds with change in use: 0.00						Total amount of proceeds utilized in respective years:				
Proportion of total amount of proceeds with change in use: 0.00%						2015: 79,033,735.40				
						2016: 54,420,000.00				
						2017: 81,896,075.33				
Investment project			Total amount of proceeds for investment			Aggregate amount of proceeds for investment at the cut-off date				Completion progress of the project at the cut-off date
No.	Committed investment project	Actual investment project	Committed investment amount before fund raising (Note 1)	Committed investment amount after fund raising (Note 1)	Actual investment amount	Committed investment amount before fund raising (Note 1)	Committed investment amount after fund raising (Note 1)	Actual investment amount	Discrepancy between actual investment amount and committed investment amount after fund raising	
1	Acquisition of companies and businesses	Acquisition of potential companies and businesses	71,648,075.33	71,648,075.33	71,648,075.33	71,648,075.33	71,648,075.33	71,648,075.33	-	100.00%
2	Construction of new production facilities at Turpan Environmental Technology Co., Ltd* (吐鲁番天洁环境科技有限公司), acquisition of relevant machinery and recruitment of employees	Construction of new production facilities at Turpan city of Xinjiang, acquisition of relevant machinery and recruitment of employees	24,706,232.87	24,706,232.87	-	24,706,232.87	24,706,232.87	-	24,706,232.87	0.00%
3	Investment in research and development	Investment in research and development	21,961,095.89	21,961,095.89	2,048,000.00	21,961,095.89	21,961,095.89	2,048,000.00	-19,913,095.89	9.33%
4	Marketing campaigns	Marketing campaigns	4,117,705.48	4,117,705.48	2,920,000.00	4,117,705.48	4,117,705.48	2,920,000.00	-1,197,705.48	70.91%
5	Procurement of raw materials for new projects	Procurement of raw materials for new projects	53,804,684.92	53,804,684.92	53,521,236.79	53,804,684.92	53,804,684.92	53,521,236.79	-283,448.13	99.47%
6	Repayment of bank borrowings	Repayment of bank borrowings	71,648,075.33	71,648,075.33	59,000,000.00	71,648,075.33	71,648,075.33	59,000,000.00	-12,648,075.33	82.35%
7	Replenishment of working capital	Replenishment of working capital	26,627,828.76	26,627,828.76	26,212,498.61	26,627,828.76	26,627,828.76	26,212,498.61	-415,330.15	98.44%
	Total		274,513,698.58	274,513,698.58	215,349,810.73	274,513,698.58	274,513,698.58	215,349,810.73	-59,163,887.15	78.45%

Note 1: In accordance with the plan for use of proceeds committed in the prospectus, 26.10% of the net proceeds shall be used in the acquisition of companies and businesses, 9.00% of the net proceeds shall be used in the construction of new production facilities at Turpan Environmental Technology Co., Ltd* (吐鲁番天洁环境科技有限公司), acquisition of relevant machinery and recruitment of employees, 8.00% of the net proceeds shall be used in investment in research and development, 1.5% of the net proceeds shall be used in marketing campaigns, 19.6% of the net proceeds shall be used in the procurement of raw materials for new projects, 26.10% of the net proceeds shall be used in the repayment of bank borrowings and 9.70% of the net proceeds shall be used as working capital. The above amounts are calculated in proportion to the net proceeds raised which amounted to RMB 274,513,698.58.

**APPENDIX I REPORT ON THE USE OF PROCEEDS FROM THE 2015
OFFERING OF THE COMPANY**

**Comparison table for the actual effectiveness of the investment projects
utilizing proceeds raised from the previous fund raising exercise**

Unit: RMB

Actual investment project	Aggregate production capacity utilization rate of the investment project at the cut-off date	Committed effectiveness	Aggregate realized effectiveness at the cut-off date	Whether expected effectiveness is attained or not	
No.	Project name				
1	Acquisition of companies and businesses	N/A	N/A	N/A	N/A
2	Construction of new production facilities at Turpan Environmental Technology Co., Ltd* (吐魯番天潔環境科技有限公司), acquisition of relevant machinery and recruitment of employees	N/A	N/A	N/A	N/A
3	Investment in research and development	N/A	N/A	N/A	N/A
4	Marketing campaigns	N/A	N/A	N/A	N/A
5	Procurement of raw materials for new projects	N/A	N/A	N/A	N/A
6	Repayment of bank borrowings	N/A	N/A	N/A	N/A
7	Replenishment of working capital	N/A	N/A	N/A	N/A

The Company has made item-by-item comparison between the above actual use of the proceeds and the relevant contents in the periodic disclosure documents of the Company, and the actual use is consistent with the relevant contents disclosed.

* For identification purposes only

**APPENDIX II REPORT ON THE RELATED PARTY TRANSACTIONS
OF THE COMPANY DURING THE PERIOD
FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

The English version of this appendix is an unofficial translation of the Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

**RELATED PARTY TRANSACTIONS OF
ZHEJIANG TENGY ENVIRONMENTAL TECHNOLOGY CO., LTD
DURING THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

The following report set out the related party transactions of the Company during the period from 1 January 2015 to 31 December 2017 for the Shareholders' consideration:

All amounts expressed in RMB unless otherwise specified.

(I) RELATED PARTY RELATIONSHIP

1. The actual controllers of the Company

The actual controllers of the Company are BIAN Yu, BIAN Jianguang and BIAN Shu, who directly held 10.13%, 5.07%, 2.91% equity interest of the Company respectively and indirectly held 34.20% equity interest of the Company via the control of Tengy Group Limited (天潔集團有限公司), the controlling shareholder of the Company.

2. Status of the subsidiaries of the Company

Details of the status of the subsidiaries of the Company are set out in the note 7 "Interest in subsidiaries".

3. Status of other related party of the Company

Name	Relationship with the Company
Tengy Group Limited (天潔集團有限公司)	Controlling shareholder
Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司)	Company under the control of the controlling shareholder
Zhejiang Tianjie New Materials Co., Ltd.* (浙江天潔新材料有限公司)	Company under the control of the controlling shareholder
Zhejiang Tianjie Special Steel Co., Ltd. * (浙江天潔特鋼有限公司)	Company under the control of the controlling shareholder
Zhejiang Tianjie Magnetic Materials Co., Ltd*. (浙江天潔磁性材料股份有限公司)	Joint venture of the controlling shareholder
Zhejiang Qينو Machinery Co., Ltd* (浙江奇諾機械有限公司)	Company under the control of the directors' close family members
Zhuji City Tianyu Industry Investment Ltd* (諸暨市天宇實業投資有限公司)	Company under the control of the directors' close family members

**APPENDIX II REPORT ON THE RELATED PARTY TRANSACTIONS
OF THE COMPANY DURING THE PERIOD
FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

Name	Relationship with the Company
Zhejiang Yuanteng Industrial Group Co, Ltd* (浙江遠騰實業集團有限公司)	Company under the control of the directors' close family members
Jiangxi Chenyu Aluminum Industry Ltd* (江西晨宇鋁業有限公司)	Company under the control of the directors' close family members
Zhejiang Lvzhou Environmental Protection Equipment Co., Ltd.* (浙江綠洲環保設備有限公司)	Company under the control of the directors' close family members

(II) STATUS OF RELATED PARTY TRANSACTIONS

1. Purchase and sale of goods, receiving and rendering services

(1) Purchase of goods/receiving services

Name of related party	Related party transaction	Pricing policy	2017	2016	2015
Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司)	Procurement payment	Agreed price	13,106,529.03	16,968,875.71	13,721,800.69
Tengy Group Limited (天潔集團有限公司)	Procurement payment	Agreed price	2,366,582.69	3,186,305.03	3,949,415.03
Zhejiang Yuanteng Industrial Group Co, Ltd* (浙江遠騰實業集團有限公司)	Procurement payment/freight	Agreed price	-	-	391,370.29
Zhejiang Qinuo Machinery Co., Ltd* (浙江奇諾機械有限公司)	Procurement payment	Agreed price	-	239,770.50	735,532.62
Zhejiang Tianjie Magnetic Materials Co., Ltd*. (浙江天潔磁性材料股份有限公司)	Procurement payment	Agreed price	-	-	25,627.56
Total			<u>15,473,111.72</u>	<u>20,394,951.24</u>	<u>18,948,786.73</u>

**APPENDIX II REPORT ON THE RELATED PARTY TRANSACTIONS
OF THE COMPANY DURING THE PERIOD
FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

(2) Sale of goods/rendering services

Name of related party	Related party transaction	Pricing policy	2017	2016	2015
Tengy Group Limited (天潔集團有限公司)	Sale of goods	Agreed price	-	-	1,854,586.88
Zhejiang Tianjie Special Steel Co., Ltd.* (浙江天潔特鋼有限公司)	Sale of goods	Agreed price	-	575,083.42	1,210,285.80
Zhejiang Tianjie Magnetic Materials Co., Ltd.* (浙江天潔磁性材料股份有限公司)	Rendering services	Agreed price	23,931.62	22,287.18	39,955.81
Total			<u>23,931.62</u>	<u>597,370.60</u>	<u>3,104,828.49</u>

2. Leases with related party

(1) The Company as lessor

Lessee name	Type of leased assets	Rental income recognized		
		2017	2016	2015
Zhejiang Tianjie New Materials Co., Ltd* (浙江天潔新材料有限公司)	Buildings	-	430,416.67	1,084,650.00

(2) The Company as lessee

Lessor Name	Type of leased assets	Rental fee recognized		
		2017	2016	2015
Tengy Group Limited (天潔集團有限公司)	Buildings	1,794,079.90	3,350,064.57	3,517,567.80
Zhejiang QINUO Machinery Co., Ltd* (浙江奇諾機械有限公司)	Buildings	-	166,666.68	500,000.00
Total		<u>1,794,079.90</u>	<u>3,516,731.25</u>	<u>4,017,567.80</u>

**APPENDIX II REPORT ON THE RELATED PARTY TRANSACTIONS
OF THE COMPANY DURING THE PERIOD
FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

3. Lending to/borrowing from related party

Related party	Borrowing in the current period	Lending in the current period	Description
2017			
Tengy Group Limited (天潔集團有限公司)		3,505,000.00	non-interest-bearing
2016			
Tengy Group Limited (天潔集團有限公司)	3,505,000.00	2,920,000.00	non-interest-bearing
2015			
Tengy Group Limited (天潔集團有限公司)		3,505,000.00	non-interest-bearing

4. Assets transfer of related party

Name of related party	Type of related party transaction	Amount incurred		
		2017	2016	2015
Tengy Group Limited (天潔集團有限公司)	Machinery and equipment	1,000,000.00	-	-
	Buildings and land use rights	78,000,000.00	-	-
Sub-total		<u>79,000,000.00</u>		

5. Remuneration for key management personnel

Reporting period	2017	2016	2015
Number of key management personnel	21	20	15
Number of people who receive remuneration from the Company	21	20	15
Total remuneration	3,141,500	3,332,300	2,457,200

**APPENDIX II REPORT ON THE RELATED PARTY TRANSACTIONS
OF THE COMPANY DURING THE PERIOD
FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

(III) AMOUNT DUE TO/FROM RELATED PARTY

1. Amount due from related party

Item	Name of related party	31 December 2017		31 December 2016		31 December 2015	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
(1) Accounts receivable	Zhejiang Lvzhou Environmental Protection Equipment Co., Ltd.* (浙江綠洲環保設備有限公司)	157,360.00	157,360.00	157,360.00	157,360.00	157,360.00	157,360.00
(2) Other receivables	Tengy Group Limited (天潔集團有限公司)	439,927.37	439,927.37	439,927.37	219,963.69	3,944,927.37	123,035.47
	Zhejiang Qinuo Machinery Co., Ltd* (浙江奇諾機械有限公司)			166,666.67	1,666.67		
(3) Other current assets	Zhejiang Qinuo Machinery Co., Ltd* (浙江奇諾機械有限公司)					333,333.33	

2. Amount due to related party

Item	Name of related party	Closing balance		
		31 December 2017	31 December 2016	31 December 2015
(1) Accounts payable	Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司)	1,366,527.58	13,539,872.20	1,287,640.57
	Zhejiang Yuanteng Industrial Group Co., Ltd* (浙江遠騰實業集團有限公司)		370,935.90	370,935.90
	Zhejiang Qinuo Machinery Co., Ltd* (浙江奇諾機械有限公司)		280,531.48	
	Jiangxi Chenyu Aluminum Industry Ltd* (江西晨宇鋁業有限公司)		228,416.00	228,416.00
(2) Receipts in advance	浙江天潔集團有限公司		2,550,209.58	2,043,209.58
(3) Other payables	浙江天潔集團有限公司	349,608.27	3,973,757.54	4,937,442.04
	Zhejiang Tianjie Special Steel Co., Ltd.* (浙江天潔特鋼有限公司)		365,390.51	

**APPENDIX II REPORT ON THE RELATED PARTY TRANSACTIONS
OF THE COMPANY DURING THE PERIOD
FROM 1 JANUARY 2015 TO 31 DECEMBER 2017**

(IV) THE PRICING POLICY AND BASIS FOR RELATED PARTY TRANSACTIONS

The pricing policy of related party transactions are arms-length, bona-fide, fair, impartial and open, which are in line with the market. The terms of the transactions are fair, the prices are reasonable, and in the interest of the Company and the Shareholders as a whole and does not involve with situations which damage the interest of the Company and all the Shareholders.

The aforesaid related party transactions are submitted to the Company's general meeting for ratification.

26 April 2018

* *For identification purposes only*

NOTICE OF ANNUAL GENERAL MEETING

浙江天潔環境科技股份有限公司 Zhejiang Tengy Environmental Technology Co., Ltd

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1527)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “AGM”) of Zhejiang Tengy Environmental Technology Co., Ltd (the “**Company**”) will be held at the Company’s conference room, TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the People’s Republic of China (the “**PRC**”) on Friday, 15 June 2018 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors (the “**Director(s)**”) of the Company (the “**Board**”) for the year ended 31 December 2017.
2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2017.
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the auditor’s report for the year ended 31 December 2017.
4. To consider and approve the Board to fix the remunerations of Directors and Supervisors of the Company.
5. To consider and approve the re-appointment of ZHONGHUI ANDA CPA Limited as the independent auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company for the year ending 31 December 2018, and to authorise the Board to fix their remuneration.
6. To consider and approve the report on the use of proceeds from the 2015 Offering of the Company.
7. To consider and approve the report on the related party transactions of the Company during the period from 1 January 2015 to 31 December 2017.

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

Zhuji City, Zhejiang Province, the PRC, 26 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- i. A member of the Company (“**Member**”) entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the Meeting is enclosed herewith. In the case of joint holders of any domestic share(s) (“**Domestic Share(s)**”) or H share(s) (“**H Share(s)**”) of the Company (collectively, “**Share(s)**”), only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share(s) at the Meeting, and this notice shall be deemed to be given to all joint holders of such Share(s).
- ii. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, and in case of holders of Domestic Shares, to the Company’s mailing address TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC, not later than 24 hours before the time appointed for holding the Meeting or any adjournment thereof or the time appointed for passing the resolutions. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- iii. The register of members in Hong Kong will be closed from Wednesday, 16 May 2018 to Friday, 15 June 2018, both days inclusive, during which period no transfer of H Shares will be effected. For the identification of Members eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 May 2018.
- iv. Whether or not holders of H Shares intend to attend the Meeting, they are requested to complete the enclosed reply slip for the Meeting and return it, by hand or by post, to the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before Saturday, 26 May 2018.
- v. Whether or not holders of Domestic Shares of the Company intend to attend the Meeting, they are requested to complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company’s mailing address at TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC on or before Saturday, 26 May 2018.

As at the date of this notice, the executive Directors are Mr. BIAN Yu, Mr. BIAN Weican and Ms. BIAN Shu; the non-executive Directors are Mr. BIAN Jianguang, Mr. ZHANG Yuanyuan and Mr. CHEN Jiancheng; and the independent non-executive Directors are Mr. ZHANG Bing, Mr. YU Zhao Fei and Mr. FUNG Kui Kei.