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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY

- The revenue of Zhejiang Tengy Environmental Technology Co., Ltd (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 (the "**Year**") was approximately RMB997.6 million, representing an increase of 8.4% when compared with that of the corresponding period of last year.

- The Group's profit attributable to owners of the parent for the Year was approximately RMB113.0 million representing an increase of 17.1% when compared with that of the corresponding period of last year.

- The Board (the "**Board**") of directors of the Company (the "**Directors**", each a "**Director**") does not recommend the payment of final dividend for the Year.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 (AUDITED)

The Board is pleased to announce the audited results of the Group for the Year and the comparative figures of the corresponding period of 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
REVENUE	*4*	**997,564**	919,975
Cost of sales		**(768,388)**	(733,399)
Gross profit		**229,176**	186,576
Other income and gains	*4*	**14,329**	9,244
Selling and distribution expenses		**(23,039)**	(16,180)
Administrative expenses		**(63,907)**	(33,098)
Other expenses		**(783)**	(1,767)
Finance costs	*5*	**(6,695)**	(10,376)
PROFIT BEFORE TAX		**149,081**	134,399
Income tax expense	*6*	**(36,087)**	(37,934)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,994**	96,465
Attributable to:			
Owners of the parent		**112,994**	96,465
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	*7*	**0.84**	0.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**47,401**	42,878
Investment property		**–**	16,515
Prepaid land lease payments		**18,811**	11,549
Intangible assets		**275**	195
Deferred tax assets	*15*	**22,645**	18,261
Pledged deposits	*12*	**7,776**	17,606
Total non-current assets		**96,908**	107,004
CURRENT ASSETS			
Inventories	*8*	**31,341**	40,788
Gross amounts due from contract customers	*9*	**609,159**	703,831
Trade and bills receivables	*10*	**643,175**	420,875
Prepayments, deposits and other receivables	*11*	**43,674**	43,234
Pledged deposits	*12*	**56,815**	75,272
Cash and cash equivalents	*12*	**160,830**	209,936
Total current assets		**1,544,994**	1,493,936
CURRENT LIABILITIES			
Gross amounts due to contract customers	*9*	**111,979**	89,523
Trade and bills payables	*13*	**444,033**	431,431
Advances from customers, other payables and accruals	*14*	**211,656**	263,342
Interest-bearing bank borrowings		**119,000**	174,000
Tax payable		**30,949**	31,353
Total current liabilities		**917,617**	989,649
NET CURRENT ASSETS		**627,377**	504,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**724,285**	611,291
Net assets		**724,285**	611,291
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**135,000**	135,000
Share premium	*16*	**239,064**	239,064
Reserves	*17*	**350,221**	237,227
Total equity		**724,285**	611,291

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to owners of the parent					
		Share Capital	**Share premium**	**Statutory surplus reserve***	**Safety production reserve***	**Retained profits***	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		100,000	–	18,215	4,056	118,491	240,762
Profit and total comprehensive income for the year		–	–	–	–	96,465	96,465
Issue of shares	*16*	35,000	276,337	–	–	–	311,337
Share issue expenses	*16*	–	(37,273)	–	–	–	(37,273)
Appropriation to statutory surplus reserve		–	–	9,857	–	(9,857)	–
Appropriation to safety production reserve		–	–	–	806	(806)	–
At 31 December 2015 and 1 January 2016		**135,000**	**239,064**	**28,072**	**4,862**	**204,293**	**611,291**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**112,994**	**112,994**
Appropriation to statutory surplus reserve		**–**	**–**	**10,929**	**–**	**(10,929)**	**–**
Appropriation to safety production reserve		**–**	**–**	**–**	**662**	**(662)**	**–**
At 31 December 2016		**135,000**	**239,064**	**39,001**	**5,524**	**305,696**	**724,285**

* *These reserve accounts comprise the consolidated reserves of RMB350,221,000 (2015: RMB237,227,000) in the consolidated statements of financial position.*

1. CORPORATE AND GROUP INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**" or "**China**"). The registered office of the Company is located at Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC.

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

On 12 October 2015, the Company succeeded in listing its shares on the Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**"/"**Stock Exchange**").

In the opinion of the directors, the immediate and ultimate holding company of the Company is Tengy Group Limited (天潔集團有限公司) ("**TGL**"), which is established in the PRC.

Particulars of the Company's subsidiaries at 31 December 2016 are set out below:

Name	Registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Place and date of establishment/ registration and place of operations	Principal activities
諸暨市天潔安裝工程有限公司* ("**Tianjie Installation Engineering**")	RMB4,500,000	100%	The PRC 14 May 2003	Provision of installation services
諸暨市天潔電子科技有限公司* ("**Tianjie Electronic and Technology**")	RMB2,000,000	100%	The PRC 29 June 2009	Manufacture and sale of electronic products
吐魯番天潔環境科技有限公司* ("**Turpan Environmental and Technology**")	RMB20,000,000	100%	The PRC 19 July 2013	Manufacture and sale of environmental pollution prevention equipment and electronic products

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the Annual Improvements 2012–2014 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the financial statements except for the application of HKFRS 15 and Amendments to HKAS 7. Further information about HKFRS 15 and Amendments to HKFRS 7 is as follows:

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

3. OPERATING SEGMENT INFORMATION

The Group's revenue during the year was mainly derived from the sale of environmental pollution prevention equipment. The products of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.

Geographical information

(a) Revenue from external customers

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**977,124**	896,367
Other countries	**20,440**	23,608
	997,564	919,975

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All non-current assets of the Group are located in Mainland China.

Information about major customers

For the year ended 31 December 2016, revenue from sales to a customer amounted to RMB115,312,000 or 11.6% of the Group's total revenue. For the year ended 31 December 2015, no revenue from sales to a single customer amounted to 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Construction contracts	**993,071**	916,073
Sale of goods	**4,463**	3,862
Rendering of services	**30**	40
	997,564	919,975
Other income		
Bank interest income	**2,684**	598
Government grants	**5,839**	3,699
Gross rental income	**430**	1,085
Compensation income	**285**	507
Others	**169**	24
	9,407	5,913
Gains		
Foreign exchange gain	**4,922**	3,331
	14,329	9,244

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**6,695**	10,215
Interest on discounted bills	**–**	161
	6,695	10,376

6. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the Company and its subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income.

The income tax expense of the Group is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Current — Charged for the year	**40,471**	41,404
Deferred	**(4,384)**	(3,470)
Total tax charge for the year	**36,087**	37,934

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**149,081**	134,399
Tax at the statutory tax rate of 25%	**37,270**	33,600
Effect of non-deductible expenses	**644**	548
Additional deduction for research and development activities	**(2,006)**	–
Tax losses not recognised	**341**	3,786
Tax losses utilised from previous periods	**(162)**	–
Tax charge at the Group's effective tax rate	**36,087**	37,934

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 135,000,000 (2015: 107,767,000) in issue during the year.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculations of basic earnings per share are based on:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**112,994**	96,465

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**135,000,000**	107,767,000

8. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**27,821**	37,295
Finished goods	**3,520**	3,493
	31,341	40,788

9. CONSTRUCTION CONTRACTS

	2016	2015
	RMB'000	*RMB'000*
Gross amounts due from contract customers	**609,159**	703,831
Gross amounts due to contract customers	**(111,979)**	(89,523)
	497,180	614,308
Contract costs incurred plus recognised profits less recognised losses to date	**5,274,659**	4,110,398
Less: Progress billings	**(4,777,479)**	(3,496,090)
	497,180	614,308

The gross amounts due from contract customers for contract works included balance with the holding company of the Company as follows:

	2016 *RMB'000*	2015 *RMB'000*
TGL	–	2,406

10. TRADE AND BILLS RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	**473,637**	276,476
Bills receivable	**191,694**	155,819
	665,331	432,295
Impairment	**(22,156)**	(11,420)
	643,175	420,875

Trade receivables are non-interest-bearing with no credit period. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group's bills receivable are all due within one year and are neither past due nor impaired. As at 31 December 2016, the Group's bills receivable of RMB68,034,000 (2015: RMB69,455,000) were pledged to secure the Group's bills payable (note 13).

An aging analysis of the trade receivables, based on the invoice date and net of provisions, is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Within 1 year	**353,579**	197,098
1 to 2 years	**83,016**	53,531
2 to 3 years	**10,804**	11,756
Over 3 years	**4,082**	2,671
	451,481	265,056

The movements in provision for impairment of trade receivables are as follows:

	2016 *RMB'000*	2015 *RMB'000*
At beginning of year	**11,420**	7,713
Impairment losses recognised	**10,736**	3,707
At end of year	**22,156**	11,420

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB2,717,000 (2015: RMB1,007,000) with a carrying amount before provision of RMB2,717,000 (2015: RMB1,007,000).

The individually impaired trade receivables relate to customers that no longer have transactions with the Group and none of the receivables is expected to be recovered.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	–	–

At 31 December 2016, the Group endorsed certain bills receivable accepted by certain banks in the PRC (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. In accordance with the "Law of Negotiable Instruments" in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). The total carrying amount of the Endorsed Notes of the Group as at 31 December 2016 was RMB115,647,000 (2015: RMB104,581,000). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of RMB59,427,000 (the "**Derecognised Notes**") as at 31 December 2016 (2015: RMB31,132,000). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in these Derecognised Notes are not significant. The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB56,220,000 as at 31 December 2016 (2015: RMB73,449,000), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

During the year, the Group has not recognised any gain or loss (2015: Nil) on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Other receivables	**25,864**	25,538
Prepayments	**18,052**	15,405
Current portion of prepaid land lease payments	**1,259**	975
Due from the holding company	**87**	1,924
Due from a related company	**–**	333
	45,262	44,175
Impairment	**(1,588)**	(941)
	43,674	43,234

Other receivables are non-interest-bearing, unsecured and repayable on demand.

The movements in provision for impairment of other receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
At beginning of year	**941**	791
Impairment losses recognised	**647**	150
At end of year	**1,588**	941

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	**160,830**	209,936
Pledged deposits — current	**56,815**	75,272
Pledged deposits — non-current	**7,776**	17,606
	225,421	302,814
Less: Pledged time deposits:		
Pledged for bills payable *(note 13)*	**(15,440)**	(31,217)
Pledged for bank guarantees	**(49,151)**	(61,661)
Cash and cash equivalents	**160,830**	209,936

The Group's cash and bank balances were denominated in RMB at the end of the year, except for the following:

	2016		2015	
	Original currency	**RMB equivalent**	Original currency	RMB equivalent
	in'000	***in'000***	*in'000*	*in'000*
Cash and bank balances:				
HK Dollar	**57,706**	**51,618**	60,616	50,783
US Dollar	**–**	**–**	92	596

The RMB is not freely convertible into other currencies, however, under "Mainland China's Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Regulations", the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank guarantees are performance guarantees and made for varying periods ranging from several months to five years depending on the agreement of the contract, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

13. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**369,725**	335,344
Bills payables	**74,308**	96,087
	444,033	431,431

The bills payables were secured by the pledge of the Group's time deposits of RMB15,440,000 (2015: RMB31,217,000) (note 12) and the Group's bills receivables of RMB68,034,000 (2015: RMB69,455,000) as at 31 December 2016 (note 10).

An aging analysis of the trade and bills payables, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**257,009**	230,582
3 to 12 months	**164,148**	182,316
12 to 24 months	**14,798**	15,757
Over 24 months	**8,078**	2,776
	444,033	431,431

Trade payables are non-interest-bearing and have an average credit term of six months.

14. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Advances from customers	**69,249**	169,429
Other payables	**124,168**	89,110
Due to the holding company	**3,621**	2,916
Due to related companies	**14,618**	1,887
	211,656	263,342

Other payables are non-interest-bearing and have an average term of three months.

15. DEFERRED TAX

Deferred tax assets

	Impairment of other receivables *RMB'000*	Impairment of trade receivables *RMB'000*	Accruals *RMB'000*	Provision *RMB'000*	Total *RMB'000*
At 1 January 2015	197	1,928	11,609	1,057	14,791
Deferred tax credited to profit or loss during the year	38	927	2,328	177	3,470
At 31 December 2015 and 1 January 2016	235	2,855	13,937	1,234	18,261
Deferred tax credited/(charged) to profit or loss during the year	162	2,684	1,592	(54)	4,384
At 31 December 2016	397	5,539	15,529	1,180	22,645

The Group has tax losses arising in Mainland China of RMB16,428,000 as at 31 December 2016 (2015: RMB15,712,000), that will expire in one to five years for offsetting against taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

16. SHARE CAPITAL

Shares

	2016 ***RMB'000***	2015 *RMB'000*
Issued and fully paid:		
135,000,000 (2015: 135,000,000) ordinary shares	**135,000**	135,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2015	100,000,000	100,000	–	100,000
Issue of shares *(Note (a))*	35,000,000	35,000	276,337	311,337
Share issue expenses	–	–	(37,273)	(37,273)
At 31 December 2015, 1 January 2016 and 31 December 2016	135,000,000	135,000	239,064	374,064

Note:

(a) In connection with the Company's initial public offering, 350,000,000 new shares of RMB1.00 each were issued at a price of HK$10.9 per share for a total cash consideration, before expenses, equivalent to RMB311,337,000. Dealings in these shares on the SEHK commenced on 12 October 2015.

17. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the financial statements.

Statutory surplus reserve

Pursuant to the PRC Company Law and the respective entities' articles of association, the Company and its subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory surplus reserve until such reserve fund reaches 50% of the share capital of these entities. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve must be maintained at a minimum of 25% of the share capital after usage.

Safety production reserve

Pursuant to the regulation of "Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" in the PRC relating to the construction industry, a subsidiary of the Group, Tianjie Installation Engineering, is required to transfer an amount to the reserve account as safety production reserve. The amount is calculated based on the revenue of construction each year and at the applicable rate of 2%. The safety production reserve will be used for modification and maintenance of safety equipment in accordance with the rules of the Company Law of the PRC and is not available for distribution to shareholders.

DIVIDENDS

The Board does not recommend the payment of final dividend for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2016 was a year of significance for the Group. Leveraging years of industry experience and continual innovation in industrial technologies, the Group is a well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries. The Group generated our revenue primarily from (i) project construction; (ii) sales of goods; and (iii) rendering of services. Project construction represented tailor-made and integrated atmospheric pollution control solutions offered by the Group to our customers, comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance to our customers on a project basis. During the Year, the Group mainly offered three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators. Our sales of goods represented sales of materials, including raw materials, spare parts and components and scrap materials to related parties or independent third parties. Our rendering of services represented our technology consultancy services to our customers on a stand-alone basis, which includes repair and replacement, and on-site engineering and maintenance services to those projects which were not constructed by us.

Precipitators are widely installed at coal-fired power plants, metallurgical plants, paper mills and other industrial production plants. As such, the Group has an extensive range of customers including the project owners of power plants and industrial production plants, or contractors who undertake the construction work of power plants and industrial production plants.

Business Review

The PRC is currently the world's second largest economy. While the economic growth has slowed down in recent years, the growth rate is still among the highest in the world. The sustained increase in demand for energy and electricity in the PRC as a result of the fast economic growth has nonetheless been promoted at the expense of atmospheric environment and air quality. Last year, due to severe atmospheric pollution problems in Beijing and Hebei, some schools even suspended classes. Therefore, the PRC Government continues to strengthen its efforts in environmental protection by implementing more stringent environmental protection policies.

The New Law of the Prevention and Control of Atmospheric Pollution was officially implemented in the PRC on 1 January 2016, together with the increasing governmental and public awareness of environmental protection in the PRC, the Group believes that there will be a vast investment demand for environmental protection in the coming years. The increasingly stringent environmental protection regulations also promote the rapid development of the environmental protection industry, particularly the industry of operations and maintenance services for atmospheric pollution control facilities. It is anticipated that there will be exponential growth in atmospheric pollution control equipment market in the coming several years. Therefore, as a leading integrated atmospheric pollution control solution provider in the industry, the Group believes that we can continue to be benefited from the aforementioned policies in order to capture new business and investment opportunities.

The Group believes that we have benefitted from and will continue to benefit from the synergic effects brought about by customers' satisfaction and broader market recognition of our brand in such a way of increasing our opportunity and capability to succeed in the bidding of new projects. Additionally, with the Group's industry qualifications and track record of successfully completing projects for state-owned power plants in the PRC, the Group believes that our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider enables the Group to become more competitive over new entrants in project bidding.

For the Year, total revenue and profit from continuing operations of the Group amounted to approximately RMB997.6 million and RMB113.0 million respectively. During the Year, the Group's gross profit amounted to RMB229.2 million, representing an increase of 22.8% as compared with RMB186.6 million for the same period of the year 2015; and the gross margin increased by 2.7% from the previous year to 23.0%.

For the Year, the value of the Group's new contracts (which represents the aggregate value of the contracts we entered into during a specified period) was approximately RMB1,502.1 million. As at 31 December 2016, the Group's backlog (including applicable value-added tax) (which represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date and assuming performance in accordance with the terms of the contract) was approximately RMB1,717.8 million.

The Group's profits before tax amounted to RMB149.1 million and profits attributable to owners of our parent company grew to RMB113.0 million, representing a year-on-year increase of 10.9% and 17.1% respectively. The aforesaid growth is mainly generated from the increase in operation income of 8.4% to RMB997.6 million for the Year.

At the time of raising the amount of product sales, the Group spent great effort to enhance cost management to make our products and solutions more cost competitive. The atmospheric pollution control solutions offered by our Group mainly comprise the atmospheric pollution control devices designed and manufactured on our own. The Group possesses the qualifications and expertise in manufacture and supply of the key atmospheric pollution control system of the projects it undertakes based on customised design proposals. The Group is dedicated to improving manufacturing process and management system by managing the product quality and operation, reducing energy consumption and assessing the environmental impact in accordance with international standards. The quantitative management, environmental management and quality management systems of the Group were awarded with a number of ISO certificates. These systems help the company estimate costs, smoothen project operations and improve operating efficiency.

As of 31 December 2016, the Group had 36 registered patents (including 2 invention patents and 34 utility model patents) in the PRC. Based on the strong design and engineering capabilities, the Group primarily provides comprehensive atmospheric pollution control solutions to our customers. We offer a wide range of models of electrostatic precipitators which support electricity generators with capacity spanning from 6.25MW to over 1000MW. The Group is one of the few manufacturers in the PRC which provides electrostatic precipitators for single generator unit with capacity of 1000MW or above.

As at 31 December 2016, the Group maintained a total of 640 full-time employees (2015: 634). The remuneration payable to the Group's employees includes basic wages, bonuses and other staff benefit. The Group conducts periodic performance reviews for our employees and determine their remuneration based on factors including qualifications, contributions, years of experience and performance.

Financial Review

Revenue

The revenue of the Group amounted to approximately RMB997.6 million for the Year representing an increase of 8.4% from RMB920.0 million for the year ended 31 December 2015. The increase was mainly benefitted from the increasingly stringent environmental protection regulations that promoted the growing demand for operations and maintenance services with atmospheric pollution control equipments.

The following table sets forth a breakdown of the Group's revenue by segment and each item as a percentage of revenue for the respective years indicated:

	Year ended 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Revenue				
Construction of projects	**993,071**	**99.5**	916,073	99.5
Sales of goods	**4,463**	**0.4**	3,862	0.4
Rendering of services	**30**	**0.1**	40	0.1
Total	**997,564**	**100.0**	919,975	100.0

Revenue generated from construction of the Group's projects amounted to over 99.0% of its total revenue. Depending on the specifications and requirements of our customers, the Group may provide an integrated set of atmospheric pollution control devices comprising precipitators, desulfurisation system and/or denitrification system, or only provide one type of the said atmospheric pollution control devices on a stand-alone basis towards new installation projects or upgrading or modification projects. A majority of the Group's construction contracts are related to the manufacturing, installation and sales of electrostatic precipitators.

The following table sets forth a further revenue breakdown of construction contracts by types of atmospheric pollution control solutions for the respective years indicated:

	Year ended 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Construction contracts				
Ash removal and transfers				
— Electrostatic precipitator	**739,448**	**74.5**	727,755	79.5
— Electrostatic-bag composite precipitator	**96,480**	**9.7**	39,575	4.3
— Bag filter precipitator	**83,211**	**8.4**	75,414	8.2
— Others (e.g. Pneumatic ash conveying system)	**6,243**	**0.6**	4,790	0.5
SO_2 and NOx emission reduction (desulfurisation and denitrification devices)	**67,689**	**6.8**	68,539	7.5
	993,071	**100.0**	916,073	100.0

The Group's revenue for the Year was mainly generated from ash transfers construction contracts relating to electrostatic precipitator and electrostatic-bag composite precipitator. As a result, the revenue derived from projects relating to electrostatic precipitator and electrostatic-bag composite precipitator were increased from RMB727.8 million and RMB39.6 million for the year ended 31 December 2015 to approximately RMB739.4 million and RMB96.5 million for the Year.

With the experience in delivery of new installation projects, the Group also provided large scale upgrading and modification projects for power plants and other industries. The following table sets forth a revenue breakdown of construction contracts by types of new installation project as well as upgrading modification project for the respective years indicated:

	Year ended 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Revenue				
Newly installed	**837,577**	**84.3**	795,828	86.9
Upgrading/modification	**155,494**	**15.7**	120,245	13.1
	993,071	**100.0**	916,073	100.0

Cost of sales

The Group's costs incurred in project construction principally comprise material costs, staff costs, depreciation and overhead costs. The Group's major raw materials used in the manufacturing process of ash removal and transfer devices and desulfurisation and denitrification devices are steel, electrical instruments, filter bags and others.

The cost of sales of the Group amounted to approximately RMB768.4 million for the year representing an increase of 4.8% from RMB733.4 million for the year ended 31 December 2016.

Gross profit and gross margin

The following table sets forth the breakdown of gross profit and gross margin of the Group (stated as a percentage of revenue) for the respective years indicated:

	Year ended 31 December	
	2016	2015
Gross profit *(RMB'000)*	**229,176**	186,576
Gross margin *(%)*	**23.0**	20.3

The Group's gross profit of the Year amounted to RMB229.2 million, representing an increase of RMB42.6 million or 22.8% as compared with RMB186.6 million of the previous year. The gross margin of the Group increased from 20.3% for the year ended 31 December 2015 to 23.0% of the Year. The increase was driven by (i) further enhancement of the bargaining power of the Group over its projects due to the significant increase in market recognition and competitiveness after the listing of the Group on the Main Board of the Stock Exchange; (ii) the enhancement of the standard of environmental protection requirements in the PRC and accordingly governmental support on the construction of environmental protection facilities which improved the profitability of the Group; (iii) the Group's capability of undertaking more technically demanding projects and larger projects owing to its unremitting efforts in technological research and development.

Other income and gains

Other income and gains of the Group during the Year surged to RMB14.3 million, representing a dramatic increase of 55.4% from that of the previous year. Such surge is mainly attributable to the following:

(i) The bank interest income in 2016 increased by RMB2.1 million from 2015 to RMB2.7 million.

(ii) Foreign exchange gain in 2016 increased by RMB1.6 million from 2015 to RMB4.9 million.

(iii) Compared with 2015, the income from Government grants in 2016 increased by RMB2.1 million, mainly due to the fact that the Company obtained the overseas listed companies reward of RMB1.5 million and the Government's assistance in upgrading backbone enterprise reward of RMB3.2 million.

Selling and distribution expenses

The Group's selling and distribution expenses of the Year amounted to RMB23.0 million, representing an increase of RMB6.8 million as compared with RMB16.2 million of the previous year.

(i) The travel expenses and business hospitality expenses in 2016 increased by RMB2.4 million, or approximately 30.4%, to RMB10.3 million as compared with RMB7.9 million of the previous year.

(ii) The bid services expenses in 2015 was RMB 1.8 million. Compared with 2015, the amount for the Year increased by RMB2.0 million, or 111.1%, to RMB3.8 million.

Administrative expenses

The administrative expenses of the Group for the Year amounted to approximately RMB63.9 million, representing an increase of 93.1% as compared with approximately RMB33.1 million of the previous year, mainly due to:

(i) the impairment losses in 2016 increased by RMB7.5 million from 2015 to RMB11.4 million, mainly due to the impairment of trade receivables; and

(ii) the research and development expenses in 2016 increased by RMB18.4 million from 2015 to RMB21.6 million, mainly due to the increase in the number of technicians employed by the Group and the related efforts in research and development during the Year.

Finance cost

The finance cost of the Year amounted to approximately RMB6.7 million, representing an decrease of 35.6% as compared with approximately RMB10.4 million of the previous year.

Income tax expense

The Group's income tax expense of the Year amounted to approximately RMB36.1 million,representing a decrease of 4.7% as compared with approximately RMB37.9 million of the previous year, mainly due to additional deduction for research and development activities of RMB2.0 million for the Year.

Trade and bills receivables

As at 31 December 2016, the trade and bills receivables of the Group were approximately RMB643.2 million, increased by RMB222.3 million as compared to that of the previous year, mainly due to (i) the acceleration in the launch of projects and settlement, as well as (ii) growth of revenue from continuing operations.

Inventories

As at 31 December 2016, the Group experienced a decrease of inventories by approximately RMB9.5 million to approximately RMB31.3 million when compared to the previous year. The inventories mainly consisted of steels, filter bags, electrical instruments and other components.

Liquidity and capital resources

Cash and cash equivalents

As at 31 December 2016, the cash and cash equivalents of the Group decreased by RMB49.1 million to RMB160.8 million when compared to the previous year, which was mainly due to:

(i) the net cash outflow of approximately RMB57.1 million used in financing activities, which mainly consists of the cash outflow of approximately RMB55.0 million on proceeds from bank borrowings and repayments of bank borrowings;

(ii) the net cash outflow of approximately RMB1.7 million used in investing activities of the Group in the year, which mainly consists of the cash outflow of approximately RMB1.5 million on purchase of plants and equipments to cater for the expansion of the Group's business scale and the growing sales; and

(iii) the net cash inflow of approximately RMB6.3 million generated from the operation of the Group in the Year.

Indebtedness

As of 31 December 2016, the Group incurred outstanding bank loans of approximately RMB119.0 million.

Net current assets

As at 31 December 2016, the net current assets of the Group (the difference between total current assets and current liabilities) increased by approximately 24.4% from RMB504.3 million of the same period in 2015 to approximately RMB627.4 million for the Year.

Capital expenditure

Capital expenditures of the Group amounted to approximately RMB1.7 million, which were used mainly for the purchase of property, plant and equipment in the Year.

Exchange risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the functional currencies adopted by the units. Approximately 2.2% (2015: 2.4%) of our sales for the Year were denominated in currencies other than the functional currencies of the operating units making the sale. At present, we do not intend to seek to hedge its exposure to foreign exchange fluctuations. However, our management constantly monitors the economic situation and the foreign exchange risk profile of the Group, and will consider appropriate hedging measures in the future should the need arise.

Major acquisitions and disposals

The Group did not have any material acquisition or disposals during the Year.

Significant investments

The Group did not have any significant investments during the Year.

Contingent liabilities

The Group is neither currently involved in any material legal proceedings nor aware of any pending or potential material legal proceedings involving us. If the Group were involved in such material legal proceedings, the Group would record any loss or contingent events when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As at 31 December 2016, the Group did not have any material contingent liabilities or guarantees.

PROSPECTS

The Group will actively seek appropriate acquisition projects to expand its capabilities of research and development, manufacturing and sales, as well as to access new markets to complement existing business of the Group.

The Group believes that our established customer base in the PRC and our exposure to overseas markets could help us lay a solid foundation for future expansion in both domestic and overseas markets of the Group and place us in an ideal position to capture the growth in any of those markets. Looking forward, the Group will continue to enhance our research and development capabilities, develop new technologies and expand our product portfolio (such as ash conveyers), strengthen sales and capture the growing opportunities in the atmospheric pollution control solution industry in the PRC, enhance the Group's national and international brand recognition, as well as develop potential overseas markets to expand our international market share.

MATTERS RELATING TO THE FINANCIAL REPORT

Approval of financial statements

The audited financial statements of the Group for the Year were approved by the Board on 28 March 2017.

Accounting policies, accounting estimates and other auditing methods

In order to reflect the financial position and operating results of the Group in a more objective and fair manner, the Group changed the ratio for bad debts of trade receivables and other receivables aged over four years from 50% to 100% from 1 September 2016 onwards.

As retrospective adjustments have not been made for previous years with respect to the changes in accounting estimates, there will be no impact on the disclosure under the published financial statements of the Group. The abovementioned changes in accounting estimates of trade receivables and other receivables shall result in a decrease in total profit of approximately RMB1,998,000 for the Year and accordingly be reflected in the consolidated financial statements of the Group.

Besides, there were no changes in accounting policies and other auditing methods of the Group during the Year.

Material accounting error correction

There was no correction to material accounting errors for the Group during the Year.

Change in the scope of consolidation

There was no change in the scope of consolidation for the financial statements of the Group during the Year.

OTHER MATTERS

Directors' and chief executive's interest and/or short position in the shares, underlying shares and debentures of the Company

As at 31 December 2016, the interests and short positions of each of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") were as follows:

1. Long position in respect of domestic shares of the Company ("**Domestic Shares**") as at 31 December 2016:

Name of Director	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
Mr. Bian Yu *(Note 1)*	Beneficial owner	13,671,000	13.67	10.13
	Interest in a controlled corporation *(Note 2)*	70,000,000	70	51.85
Mr. Bian Jianguang *(Note 1)*	Beneficial owner	6,843,000	6.84	5.07
	Interest in a controlled corporation *(Note 2)*	70,000,000	70	51.85
Mr. Bian Weican	Beneficial owner	1,851,000	1.85	1.37
Ms. Bian Shu *(Note 1)*	Beneficial owner	3,933,000	3.93	2.91
	Interest in a controlled corporation *(Note 2)*	70,000,000	70	51.85
Mr. Zhang Yuanyuan *(Note 3)*	Family interest of spouse	73,933,000	73.93	54.76

Notes:

1. The Company is held as to approximately 51.85% by TGL, approximately 10.13% by Mr. Bian Yu, approximately 5.07% by Mr. Bian Jianguang, approximately 2.91% by Ms. Bian Shu, approximately 1.37% by Mr. He Jianmin, approximately 1.37% by Mr. Bian Weican and approximately 1.37% by Mr. Chen Jiancheng. TGL is held as to approximately 64.08% by Mr. Bian Yu, approximately 22.81% by Mr. Bian Jianguang and approximately 13.11% by Ms. Bian Shu.

2. The disclosed interest represents the interest in the Company held by TGL which is in turn approximately 64.08% owned by Mr. Bian Yu, approximately 22.81% owned by Mr. Bian Jianguang and approximately 13.11% owned by Ms. Bian Shu. Therefore, Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL's interest in the Company by virtue of the SFO. The indirect interests in the Company's share capital owned by Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu via their respective interests in TGL are approximately 33.23%, 11.83% and 6.80% respectively.

3. Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu's interest in the Company by virtue of the SFO.

Substantial shareholders' interests and/or short position in the shares and underlying shares of the Company

In respect of the register of substantial shareholders (not being a director or chief executive of the Company) required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2016, the Company had been notified of the following substantial shareholders' interests and short positions. These interests are in addition to those disclosed above in respect of the directors and chief executive of the Company.

1. Long position in respect of Domestic Shares as at 31 December 2016:

Name	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
TGL *(Note 1)*	Beneficial owner	70,000,000	70	51.85
Ms. Bao Guo *(Note 2)*	Family interest of spouse	83,671,000	83.67	61.98
Ms. Xu You *(Note 3)*	Family interest of spouse	76,843,000	76.84	56.92

Notes:

1. TGL is directly interested in approximately 51.85% in the Company.

2. Ms. Bao Guo, the spouse of Mr. Bian Yu, is deemed to be interested in Mr. Bian Yu's interest in the Company by virtue of the SFO.

3. Ms. Xu You, the spouse of Mr. Bian Jianguang, is deemed to be interested in Mr. Bian Jianguang's interests in the Company by virtue of the SFO.

2. Long position in respect of H Shares of the Company ("**H Shares**") as at 31 December 2016:

Name	**Capacity/ Nature of interest**	**Number of H Shares**	**Approximate % of total issued H Shares**	**Approximate % of Company's share capital**
Shou Erjun	Beneficial owner	10,000,000	28.57	7.41
Hong Kong Joint Financial Investment Ltd	Interest in a controlled corporation	5,297,000	15.13	3.92
Zhao Kaiyuan *(Note 4)*	Beneficial owner	5,297,000	15.13	3.92
Kylin International (HK) Co., Ltd	Beneficial owner	1,834,800	5.24	1.36
凱銀投資管理有限公司*(Note 5)*	Interest in a controlled corporation	1,834,800	5.24	1.36
德信控股集團有限公司*(Note 6)*	Interest in a controlled corporation	1,834,800	5.24	1.36
Hu Yiping *(Note 7)*	Interest in a controlled corporation	1,834,800	5.24	1.36

Notes:

4. Mr. Zhao Kaiyuan, the controlling shareholder of Hong Kong Joint Financial Investment Ltd, is deemed to be interested in Hong Kong Joint Financial Investment Ltd's interests in the Company by virtue of the SFO.

5. 凱銀投資管理有限公司, the controlling shareholder of Kylin International (HK) Co., Ltd ("**Kylin International**"), is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO.

6. 德信控股集團有限公司, the controlling shareholder of 凱銀投資管理有限公司, is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO and note 6 above.

7. Mr. Hu Yiping, the controlling shareholder of 德信控股集團有限公司, is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO as well as note 6 and 7 above.

Purchase, sale or redemption of listed securities

From the date of Listing to 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Model Code for Directors' Securities Transactions

The Group adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix 10 to the Listing Rules ("**Model Code**") as the code of conduct on securities transactions entered into by the directors and supervisors of the Company, in order to govern such transactions. Having made specific written enquiries, all directors and supervisors of the Company confirmed their compliance with the provisions under the Model Code throughout the Year.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to ensure managerial optimisation and to safeguard the interests of all shareholders of the Company. The Group has always been emphasising on transparency and accountability to the shareholders. The Board believes that a high standard of corporate governance could maximise the benefits for the shareholders. Throughout the Year, the Group complied with all principles and code provisions as well as adopted the recommended best practices set out in the "Corporate Governance Code" under Appendix 14 to the Listing Rules.

Audit Committee

The Group's audit committee ("**Audit Committee**") has reviewed with the accounting principles and practices adopted by the Group, and discussed with the management the internal control and financial reporting matters. The Audit Committee also reviewed and confirmed the audited consolidated financial statements of the Group for the Year. The relevant financial information are prepared under the Hong Kong Financial Reporting Standards, in respect of which Ernst & Young issued an auditors' report with standard unqualified opinion.

Events of material impact

From the end of the Year to the date of this announcement, no important events had been occurred in a way of affecting the Company and any of its subsidiaries.

ANNUAL GENERAL MEETING

The registration of the transfer of shares of the Company will be suspended from 23 May 2017 to 22 June 2017 (both days inclusive) in order to ascertain the shareholders' entitlement to the attendance in the annual general meeting (the "**AGM**"). All shareholders who wish to attend the AGM must deliver their properly completed H Shares transfer forms accompanied by the relevant share certificates to the Registrar of H Shares in Hong Kong, Tricor Services Limited (the address of which is Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) no later than 4:30 p.m. on 22 May 2017, for registration.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (http://www.tengy.com). The Company's annual report for the Year will be dispatched to the Company's shareholders and published on the aforementioned websites in due course.

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

Zhejiang Province, the PRC
28 March 2017

As at the date of this announcement, the executive Directors are Mr. BIAN Yu, Ms. BIAN Shu and Mr. BIAN Weican; the non-executive Directors are Mr. BIAN Jianguang, Mr. ZHANG Yuanyuan and Ms. ZHU Hong; and the independent non-executive Directors are Ms. TAM Hon Shan Celia, Mr. JIANG Yan and Mr. ZHANG Bing.