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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- The revenue of Zhejiang Tengy Environmental Technology Co., Ltd (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**") was approximately RMB418.35 million, representing an increase of approximately 10.76% when compared with that of the corresponding period of last year.

- The Group's profit attributable to owners of the parent for the Reporting Period was approximately RMB33.13 million, representing an increase of approximately 2.53% when compared with that of the corresponding period of last year.

- The board (the "**Board**") of directors the Company (the "**Directors**", each a "**Director**") did not recommend the payment of any dividend for the Reporting Period.

INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the Reporting Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Restated
REVENUE	**418,346**	377,688
Cost of sales	**(327,981)**	(286,042)
Gross profit	**90,365**	91,646
Other income	**1,617**	3,731
Selling and distribution expenses	**(10,486)**	(10,882)
Administrative expenses	**(33,036)**	(35,508)
Other expenses	**–**	(1,511)
Finance costs	**(2,740)**	(2,953)
PROFIT BEFORE TAX	**45,720**	44,523
Income tax	**(12,588)**	(12,207)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**33,132**	32,316
Attributable to:		
Owners of the parent	**33,132**	32,316
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted (RMB)		
– For profit for the period	**0.25**	0.24

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**84,305**	86,906
Prepaid land lease payments	**44,011**	45,001
Intangible assets	**276**	389
Deferred tax assets	**28,552**	25,479
Pledged deposits	**1,768**	3,577
Total non-current assets	**158,912**	161,352
CURRENT ASSETS		
Inventories	**356,012**	470,939
Trade and bills receivables	**649,656**	619,345
Contract assets and contract costs	**176,976**	193,201
Prepayments, deposits and other receivables	**60,849**	44,544
Prepaid land lease payments	**1,980**	1,981
Tax receivable	**24,158**	14,323
Pledged deposits	**59,877**	86,169
Bank and cash balances	**57,833**	47,706
Total current assets	**1,387,341**	1,478,208
CURRENT LIABILITIES		
Trade and bills payables	**356,715**	419,709
Contract liabilities	**249,396**	310,482
Other payables and accruals	**103,020**	109,379
Bank loans	**114,000**	110,000
Total current liabilities	**823,131**	949,570
NET CURRENT ASSETS	**564,210**	528,638
TOTAL ASSETS LESS CURRENT LIABILITIES	**723,122**	689,990
NET ASSETS	**723,122**	689,990
CAPITAL AND RESERVES		
Share capital	**135,000**	135,000
Share premium	**239,064**	239,064
Reserves	**349,058**	315,926
TOTAL EQUITY	**723,122**	689,990

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Zhejiang Tengy Environmental Technology Co., Ltd (the "**Company**") was established in the People's Republic of China (the" **PRC**") as a joint stock company with limited liability. The address of its registered office is TENGY Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, PRC. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company and its subsidiaries (collectively the "**Group**") were principally engaged in design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument for trade receivables and contract assets.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018 and early adopted HKFRS15. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 15 "Revenue from Contracts with Customers"

Revenue of the Group's environmental protection equipment contract was previously recognised using the percentage of completion method. Under HKFRS 15, such contracts do not meet the conditions of recognising the revenue over time. Revenue of such contracts is now recognised at a point in time when control of the products is transferred to the customers.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	1 January 2017 *RMB'000* (Unaudited)
At 1 January 2017:	
Decrease in statutory surplus reserve	11,387
Decrease in safety production reserve	116
Decrease in retained profits	105,956

	RMB'000
For the 6 months ended 30 June 2017:	
Increase in revenue	84,228
Increase in cost of sales	79,504
Increase in administrative expenses	12,870
Decrease in income tax	1,021
Decrease in profit for the year	9,167
Decrease in Earnings per share	0.07

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

4. REVENUE

The Group's revenue represents environmental protection equipment contract revenue for installation and sale of environmental pollution prevention equipment and electronic products; the invoiced value of goods sold and the value of services rendered during the period.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Environmental protection equipment contracts	416,010	374,875
Sale of goods	334	2,738
Rendering of services	2,002	75
	418,346	377,688

Disaggregation of revenue from environmental protection equipment contracts:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**413,606**	374,875
Other countries	**2,404**	–
Total	**416,010**	374,875
Major products		
Electronstatic precipitator	**279,506**	263,702
Electronstatic-bag composite precipitator	**54,969**	62,132
Bag filter precipitator	**52,100**	20,120
SO_2 and Nox emission reduction (desulfurisation and denitrification devices)	**23,950**	19,899
Others (e.g. Pneumatic ash conveying system)	**5,485**	9,022
Total	**416,010**	374,875
Timing of revenue recognition		
At a point in time		
– Environmental protection equipment contracts	**416,010**	374,875
– Sale of goods	**334**	2,738
– Rendering of services	**2,002**	75
Total	**418,346**	377,688

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	853	3,506
Government grants	633	125
Gains on disposal of items of property, plant and equipment	–	79
Others	131	21
	1,617	3,731

6. OPERATING SEGMENT INFORMATION

The Group's revenue during the Reporting Period was mainly derived from the sale of environmental pollution prevention equipments. 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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**415,942**	377,688
Other countries	**2,404**	–
	418,346	377,688

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.

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on banks loans	**2,740**	2,953

8. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the Group which operates in Mainland China is subject to Corporate Income Tax ("**CIT**") at a rate of 25% on the taxable income.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax for the year	**15,661**	5,840
Deferred tax	**(3,073)**	6,367
Total tax charge for the period	**12,588**	12,207

9. BANK LOANS

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank loans analysed as:		
Secured	**114,000**	110,000
Unsecured	**–**	–
Total	**114,000**	110,000

The secured bank borrowings of the Group were secured by (i) the Group's building situated in the Mainland China, which had an aggregate net carrying value of RMB12,028,000 as at 30 June 2018 (2017: RMB12,839,000); (ii) the Group's leasehold land situated in Mainland China, which had an aggregate carrying amount of RMB17,051,000 as at 30 June 2018 (2017: RMB17,668,000); and (iii) the Group's bills receivable of RMB4,000,000 as at 30 June 2018 (2017:Nil).

The effective interest rates per annum at the end of the reporting period were as follows:

	30 June	31 December
	2018	2017
fixed-rate	**5.00%-5.66%**	5.00%-5.44%

10. 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 in issue during the Reporting Period.

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**33,132**	32,316

	Number of shares Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**135,000,000**	135,000,000

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the period ended 30 June 2018 (six months ended 30 June 2017: Nil).

12. EVENT AFTER THE REPORTING PERIOD

In August 2018, the Company as the plaintiff filed a claim against Changchun Kaixi Environmental Protection Co., Ltd. (for transliteration purpose only, Changchun Kaixi Environmental Protection Company Limited) as the defendant with Zhuji City People's Court in Zhejiang, the PRC and claimed the defendant for an aggregate amount of RMB16,925,086. Such amount was payable by the defendant under various environmental projection equipment contracts entered into between the Company and the defendant and remained outstanding. In 15 August 2018, the Company applied to the Zhuji City People's Court in Zhejiang, the PRC for an asset preservation order to preserve the PRC's land property of the defendant.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Our Group

The Group has over 20 years of industry experience and continue to innovate 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.

Our Products

The Company's main products are Electronstatic precipitator, Electronstatic-bag composite precipitator, Bag filter precipitator and Sulphur Dioxide (SO_2) and Nitrogen Oxide (Nox) emission reduction. During the Reporting Period, the Company's revenue was mainly derived from Electronstatic precipitator, which accounted for approximately 66.81% of the total revenue. The Company's products and equipment are involved in the flue gas treatment projects distributed in more than 30 provinces, municipalities and autonomous regions and overseas markets. Key customers include large state-owned enterprises and private leading enterprises.

Domestic Market

Precipitators and flue gas desulfurisation and denitrification equipment are mainly applied in core industries such as electricity, metallurgy, steel, building materials, electrolytic aluminum, etc. The equipment are operated for a long time in harsh conditions such as high temperature, high pressure, high concentration and corrosive flue gas. Manufacturers are faced with more demanding requirements in terms of design, technology, process, quality control, reliability, stability, safety and after-sales service. Manufacturers of precipitators must pursue continuous enhancement of product performance, technological innovation and improvement of production process to gain a competitive advantage and profit. With 20 years of experience in the domestic industry and continuous technology innovation, the Group has more advantages in the domestic market.

International Markets

Leveraging on its extensive experience in the PRC market, the Group has been in the continuing expansion into international markets since 2005. This allows for the Group's application of its atmospheric pollution control solutions in foreign countries such as Vietnam, South Korea, Thailand, Indonesia, India, Chile, Panama and Russia.

OVERVIEW

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 has leveraging years of industry experience and continual innovation in industrial technologies.

During the Reporting Period, the Group generated its revenue primarily from (i) environmental protection equipment contracts; (ii) sale of goods; and (iii) rendering of services.

Environmental protection equipment contracts represented tailor-made and integrated atmospheric pollution control solutions offered by the Group to its customers, comprising equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance to its customers on a project basis. During the Year, the Group mainly offered four types of precipitators: electrostatic precipitators, bag filter precipitators, electrostatic-bag composite precipitators and wet electrostatic precipitators.

The Group's sale of goods represented sale of materials, including raw materials, spare parts and components and scrap materials to related parties or independent third parties.

The Group's rendering of services represented its technology consultancy services to its 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 the Group.

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 second largest economy in the world. Up to now, coal consumption is still in a dominant position in the energy consumption composition of the PRC. Under such circumstances, the most severe atmospheric pollution problem in the PRC is coal-burning pollution, which mainly consists of pollutants such as dust, smoke dust, sulfur dioxide and nitrogen oxides. Since the 21st century, the emission volume of air pollutants, such as smoke dust (dust) and sulfur dioxide, has generally declined. This is mainly due to the fact that the PRC continues to strengthen its effort in environmental protection by strictly control the emission of air pollutants in recent years.

Efforts on the environmental protection inspection were enhanced. A stringent accountability system was rolled out with the aim to achieve the governance effect. In 2016, the State Council established a leading group, under which a central environmental protection inspection team has been formed and has inspected 16 provinces (autonomous regions and municipalities) in 2 stages. The rectification efforts are strong and in a wide range. On 14 February 2017, the Ministry of Environmental Protection of the PRC further carried out a special inspection regarding the air quality for the first quarter of 2017, efforts on supervision and its efficiency were significantly enhanced. Meanwhile, it is also expressly stated in the 2017 Report on the Work of the Government of the PRC that the urgency and importance of atmospheric control is of prime importance. With increasingly stringent environmental protection inspection, the environmental protection equipment which does not meet the requirements must be upgraded and modified immediately, which in turn will give rise to a certain demand for precipitators.

The Group believes that leveraging on its track record and advanced technologies together with its stable workplaces and staff, its ability to secure new projects will be improved. Moreover, the Group has completed various precipitators related works in the metallurgy industry in the first half year of 2018. This laid a solid foundation for the Group to secure orders in the metallurgy industry.

For the Reporting Period, the revenue and the profit and total comprehensive income of the Group amounted to approximately RMB418.35 million and approximately RMB33.13 million respectively. For the Reporting Period, the Group's gross profit amounted to approximately RMB90.37 million, representing a decrease of approximately 1.40% as compared with approximately RMB91.65 million for the corresponding period of 2017; while the gross profit margin decreased by approximately 2.67% to approximately 21.60% as compared with the corresponding period of 2017. The increase in the revenue and the profit and total comprehensive income for the Reporting Period of the Group was primarily due to the completion dates of certain large-scale projects originally scheduled to be within 2017 were delayed to the first half year of 2018 because of the customers' reasons.

For the Reporting Period, the value of the Group's new contracts (which represents the aggregate value of the contracts it entered into during a specified period) was approximately RMB298.47 million. As at 30 June 2018, the Group's backlog (including applicable value-added tax) (which represents the total estimated contract value of work that remained to be completed pursuant to outstanding projects as of a certain date and assuming performance in accordance with the terms of the contract) was approximately RMB2,369 million.

The Group's profit before tax for the Reporting Period increased to approximately RMB45.72 million and profits attributable to owners of the parent company of the Company increased to approximately RMB33.13million, representing an increase of approximately 2.69% and 2.53% respectively when compared to the corresponding period of 2017. The aforesaid increase was mainly due to the increase in the revenue of approximately 10.76% to approximately RMB418.35 million for the Reporting Period.

At the time of raising the amount of product sales, the Group spent great effort to enhance cost management to make its products and solutions more cost competitive. The atmospheric pollution control solutions offered by the Group mainly comprise the atmospheric pollution control devices designed and manufactured on its 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 30 June 2018, the Group had 43 registered patents (including 3 invention patents and 40 utility model patents) in the PRC. Based on the strong design and manufacturing capabilities, the Group primarily provides comprehensive atmospheric pollution control solutions to its customers. The Group offers 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 30 June 2018, the Group maintained a total of 624 full-time employees (As at 31 December 2017: 605). The remuneration payable to the Group's employees includes basic wages, bonuses and other staff benefit. The Group conducts periodic performance reviews for the employees and determine their remuneration based on factors including qualifications, contributions, years of experience and performance.

FINANCIAL REVIEW

The accounting information contained in this interim report has not been audited by the Company's auditor.

Revenue

The revenue of the Group amounted to approximately RMB418.35 million for the Reporting Period, representing an increase of approximately 10.76% for the corresponding period of 2017. The increase was mainly due to the delay of the completion dates of certain large-scale projects to the first half year of 2018.

Revenue generated from environmental protection equipment contracts of the Group amounted to over 97% of its total revenue. Depending on the specifications and requirements of its 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 environmental protection equipment contracts of the Group are related to the manufacture, installation and sales of electrostatic precipitators.

Cost of Sales

The Group's costs incurred in environmental protection equipment contracts of the Group 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 RMB327.98 million for the Reporting Period, representing an increase of approximately 14.66% from approximately RMB286.04 million for the corresponding period of 2017.

Gross Profit Margin

The unaudited gross profit margin for the Reporting Period was approximately 21.60%, representing a decrease of approximately 2.67% from approximately 24.27% for the corresponding period of 2017.

Profit attributable to owners of the parent

The unaudited profit attributable to the owners of the parent for the Reporting Period was approximately RMB33.13 million, representing an increase of approximately 2.53% from approximately RMB32.32 million for the corresponding period of 2017. Weighted average earnings per share amounted to approximately RMB0.25 cents for the Reporting Period.

WORKING CAPITAL

As at 30 June 2018, the Group's working capital (current assets less current liabilities) amounted to approximately RMB564.21 million (31 December 2017: approximately RMB528.64 million).

Gearing Ratio

As of 30 June 2018, the Group's gearing ratio (Note) was approximately 7.8% (31 December 2017: approximately 9.0%).

Note: Gearing ratio = (total bank loan – cash and cash equivalents) / total equity x 100%

Foreign currency risk

The Group is exposed to transactional currency risk. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 0.57% and 0% of the Group's sales for the period ended 30 June 2018 and 30 June 2017, were denominated in currencies other than the functional currencies of the operating units making the sale. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management of the Group constantly monitors the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future should the need arise.

INTERIM DIVIDEND

The Directors did not propose to declare an interim dividend for the Reporting Period (six months ended 30 June 2017: Nil).

MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2018, the Group was not involved in any material litigation or arbitration.

MATERIAL ACQUISITION AND DISPOSAL

As at 30 June 2018, save as disclosed herein, the Group was not involved in any material acquisition and disposal.

PROSPECT

Atmospheric pollution has become a serious problem in China and other developing countries, which has posed a serious threat to national public health. Such problem has been considered a by-product of China's economic takeoff in the past few decades, attracting much attention from the national government and citizens. The air quality in 90% of the major cities in the PRC fails to meet the standards. Given that the PRC Government is increasingly concerned about the environment, it is expected that the rigid societal demand for air pollution control equipments and integrated solutions businesses in the second half-year of 2018 will be higher than the first half-year. Towards this end, the Group's main work focuses in the second half of 2018 are as follows:

1. To further strengthen the Company's standardised management, deepen the construction and implementation of internal control systems, strengthen safety production management to ensure stable operation of the production and installation business.

2. By virtue of the Group's solid expertise and reputation in the application of particulate emission control solutions to the conventional coal-fired power generation industry, to strengthen investments in and marketing efforts on the exploration of further business opportunities in other relevant sectors (such as, among others, the paper-making, construction material and metal smelting industries) with a view to ensuring sustainability of the Group's development in the foreseeable future.

3. To further improve the gross profit margin by focusing on (i) the quality projects and quality customer selection, paying special attention to pricing terms and customer reputation; and (ii) constantly making cost control, lowering the procurement costs for raw materials and improving labour productivity.

4. To continue to increase the investment in research and development, enhance technological innovation, organise an air pollution control and design institute based on the existing design and development team, introduce research and development personnel in coordination with excellent domestic and international industry research institutions, and increase research and development facilities, such that the research and development capabilities of the Company could be fully enhanced.

5. To actively expand financing channels to fund the Group's continuing development, and to meet the tremendous growth of the market.

6. To enhance the Group's national and international brand recognition, as well as develop potential overseas markets to expand its international market share.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by any members of the Group during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issues (the "**Model Code**"), as set out in Appendix 10 of the Listing Rules throughout the Reporting Period. Having made all reasonable enquiries from all Directors, each of them has complied with the required standard set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the provisions listed in the Corporate Governance Code and Corporation Governance Report (the "**Corporate Governance Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Reporting Period.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") pursuant to a resolution of the Director passed on 10 November 2014 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee were adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. Its terms of reference are available on the websites of the Company and the Stock Exchange. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fung Kui Kei (Chairman), Mr. Yu Zhao Fei and Mr. Zhang Bing.

APPROVAL OF FINANCIAL STATEMENTS

The unaudited financial statements of the Group for the Reporting Period were reviewed by the Audit Committee and approved by the Board on 27 August 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tengy.com). The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

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

Zhuji City, Zhejiang Province, the PRC
27 August 2018

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 Mr. CHEN Jiancheng; and the independent non-executive Directors are Mr. ZHANG Bing, Mr. YU Zhao Fei and Mr. FUNG Kui Kei.