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

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

(Stock Code: 1527)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 (the "**Reporting Period**") was approximately RMB339.05 million, representing a decrease of approximately 18.95% 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 RMB29.06 million, representing a decrease of approximately 12.29% 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE	**339,053**	418,346
Cost of goods sold	**(276,800)**	(327,981)
GROSS PROFIT	**62,253**	90,365
Other income	**2,510**	1,617
Selling expenses	**(7,436)**	(10,486)
Administrative expenses	**(14,168)**	(33,036)
Other operating expenses	**(61)**	–
Profit from operations	**43,098**	48,460
Finance costs	**(2,637)**	(2,740)
PROFIT BEFORE TAX	**40,461**	45,720
Income tax expense	**(11,401)**	(12,588)
PROFIT FOR THE PERIOD	**29,060**	33,132
ATTRIBUTABLE TO:		
Owners of the parent	**29,060**	33,132
EARNINGS PER SHARE		
Basic	**0.22**	0.25
Diluted	**0.22**	0.25

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**79,024**	81,629
Prepaid land lease payments	**42,030**	43,020
Intangible assets	**126**	193
Deferred tax assets	**33,876**	33,887
Pledged deposits	**2,174**	1,871
Deposit paid for intangible asset	**–**	1,292
Total non-current assets	**157,230**	161,892
CURRENT ASSETS		
Inventories	**333,144**	324,280
Trade and bills receivables	**670,199**	653,581
Contract assets and contract costs	**241,124**	261,028
Prepayments, deposits and other receivables	**53,654**	45,771
Prepaid land lease payments	**1,980**	1,981
Tax receivable	**3,994**	–
Pledged deposits	**33,359**	39,323
Bank and cash balances	**13,288**	16,432
Total current assets	**1,350,742**	1,342,396
CURRENT LIABILITIES		
Trade and bills payables	**333,732**	363,337
Contract liabilities	**192,953**	202,284
Other payables and accruals	**124,501**	108,185
Bank loans	**106,500**	109,000
Tax payable	**–**	256
Total current liabilities	**757,686**	783,062
NET CURRENT ASSETS	**593,056**	559,334
TOTAL ASSETS LESS CURRENT LIABILITIES	**750,286**	721,226
NET ASSETS	**750,286**	721,226
CAPITAL AND RESERVES		
Share capital	**135,000**	135,000
Share premium	**239,064**	239,064
Reserves	**376,222**	347,162
TOTAL EQUITY	**750,286**	721,226

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 2018 annual financial statements. 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 2018 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates of the land and buildings are 33 to 50%.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

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 2019. 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.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of environmental protection equipment	**324,463**	416,010
Sale of materials	**6,391**	334
Rendering of services	**8,199**	2,002
	339,053	418,346

Disaggregation of revenue from sales of environmental protection equipment:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**312,777**	413,606
Other countries	**11,686**	2,404
Total	**324,463**	416,010
Major products		
Electronstatic precipitator	**197,830**	279,506
Electronstatic-bag composite precipitator	**28,359**	54,969
Bag filter precipitator	**32,834**	52,100
SO_2 and Nox emission reduction (desulfurisation and denitrification devices)	**64,961**	23,950
Others (e.g. Pneumatic ash conveying system)	**478**	5,485
Total	**324,463**	416,010
Timing of revenue recognition		
At a point in time		
– Sales of environmental protection equipment	**324,463**	416,010
– Sale of materials	**6,391**	334
– Rendering of services	**8,199**	2,002
Total	**339,053**	418,346

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**214**	853
Government grants	**2,296**	633
Others	**–**	131
	2,510	1,617

6. OPERATING SEGMENT INFORMATION

The Group's revenue during the reporting period was mainly derived from 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. 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**327,367**	415,942
Other countries	**11,686**	2,404
	339,053	418,346

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on banks loans	**2,637**	2,740

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax for the year	**11,391**	15,661
Deferred tax	**10**	(3,073)
Total tax charge for the period	**11,401**	12,588

9. BANK LOANS

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank loans analysed as:		
Secured	**106,500**	109,000
Unsecured	**–**	–
Total	**106,500**	109,000

The secured bank loans of the Group amounting to RMB46,500,000 (2018: 49,000,000) were secured by (i) the Group's building situated in the Mainland China, which had an aggregate net carrying value of RMB10,406,000 as at 30 June 2019 (2018: RMB11,217,000); (ii) the Group's leasehold land situated in Mainland China, which had an aggregate carrying amount of RMB11,345,000 as at 30 June 2019 (2018: RMB16,434,000).

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

	30 June	31 December
	2019	2018
fixed-rate	**4.35%-6%**	4.35%-6%

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the period ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**29,060**	33,132

	Number of shares Six months ended 30 June	
	2019	2018
	(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

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Our Group

The Group has over 21 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 Group's main products are Electronstatic precipitator, Electronstatic-bag composite precipitator, Bag filter precipitator and Sulphur Dioxide (SO2) and Nitrogen Oxide (Nox) emission reduction products. During the Reporting Period, the Group's revenue was mainly derived from Electronstatic precipitator, which accounted for approximately 60.97% of the total revenue. The Group's products and equipment are involved in the flue gas treatment projects distributed in various provinces, municipalities and autonomous regions and overseas markets. Key customers include large state-owned enterprises and private leading enterprises.

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.

Domestic Market

The Group's major products are mainly applied in core industries such as electricity, metallurgy, steel, building materials, electrolytic aluminum, etc. The equipments are operated for a long time in harsh conditions such as high temperature, high pressure, high concentration and corrosive flue gas. 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 more than 21 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.

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) sales of environmental protection equipment; (ii) sale of materials; and (iii) rendering of services.

Sales of environmental protection equipment 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 including electrostatic precipitators, electrostatic-bag composite precipitators, bag filter precipitators and SO_2 and NO_X emission reduction products.

The Group's 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.

BUSINESS REVIEW

The PRC is currently one of the 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.

The PRC government enhanced efforts on the environmental protection inspection, including the official implementation of the Environmental Protection Tax Law of the People's Republic of China on 1 January 2018, which made environmental protection tax one of the categories of taxes in the PRC. In addition, on 27 June 2018, the State Council officially issued the "Three-Year Action Plan for Winning the Battle for a Blue Sky" (《打贏藍天保衛戰三年行動計劃》), to make arrangements for the prevention and control of atmospheric pollution in the PRC for the next three years. Stringent environmental protection inspection and accountability system improved the results of prevention and control of atmospheric pollution.

Given the increasingly stringent environmental protection inspection in the PRC, the pace of upgrade and transformation of environmental equipment, which are not in line with the requirements, will surely speed up, creating certain demands for dust-removal equipment.

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 2019. 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 RMB339.05 million and approximately RMB29.06 million respectively. For the Reporting Period, the Group's gross profit amounted to approximately RMB62.25 million, representing a decrease of approximately 31.11% as compared with approximately RMB90.37 million for the corresponding period of 2018; while the gross profit margin decreased by approximately 3.24% to approximately 18.36% as compared with the corresponding period of 2018. The decrease in revenue and profit and total comprehensive income for the Reporting Period of the Group was primarily due to large projects commenced on the first half of 2019 will take six to nine months to complete, and the relevant revenue will be recognized in the second half of 2019 in accordance with the Group's revenue recognition method.

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 RMB813.33 million. As at 30 June 2019, 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 RMB2,414 million.

The Group's profit before tax for the Reporting Period decreased to approximately RMB40.46 million and profits attributable to owners of the Company decreased to approximately RMB29.06 million, representing a decrease of approximately 11.50% and 12.29% respectively when compared to the corresponding period of 2018. The aforesaid decrease was mainly due to the decrease in the revenue of approximately 18.95% to approximately RMB339.05 million for the Reporting Period.

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 2019, the Group had 36 registered patents (including 3 invention patents and 33 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 2019, the Group maintained a total of 563 full-time employees (As at 31 December 2018: 617). 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 RMB339.05 million for the Reporting Period, representing a decrease of approximately 18.95% for the corresponding period of 2018. The decrease was mainly due to increase competition in the industry for the Reporting Period.

Revenue generated from environmental protection equipment products of the Group amounted to approximately 96% 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 RMB276.80 million for the Reporting Period, representing a decrease of approximately 15.60% from approximately RMB327.98 million for the corresponding period of 2018.

Gross Profit Margin

The unaudited gross profit margin for the Reporting Period was approximately 18.36%, representing a decrease of approximately 3.24% from approximately 21.60% for the corresponding period of 2018.

Profit attributable to owners of the parent

The unaudited profit attributable to the owners of the parent for the Reporting Period was approximately RMB29.06 million, representing a decrease of approximately 12.29% from approximately RMB33.13 million for the corresponding period of 2018. Weighted average earnings per share amounted to approximately RMB22 cents for the Reporting Period.

WORKING CAPITAL

As at 30 June 2019, the Group's working capital (current assets less current liabilities) amounted to approximately RMB593.06 million (31 December 2018: approximately RMB559.33 million).

Gearing Ratio

As of 30 June 2019, the Group's gearing ratio (Note) was approximately 12.42% (31 December 2018: approximately 12.83%).

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 3.45% and 0.57% of the Group's sales for the period ended 30 June 2019 and 30 June 2018, 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 2018: Nil).

MATERIAL LITIGATION AND ARBITRATION

(1) In August 2018, the Company as the plaintiff filed a claim against Changchun Kaixi Environmental Protection Co., Ltd. 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.

(2) In June 2019, the Company as the plaintiff filed a claim against Hesteel Co., Ltd. Chengde Branch as the defendant with Chengde City Intermediate People's Court in Hebei, the PRC and claimed the defendant for an aggregate amount of RMB29,515,200. Such amount was payable by the defendant under the deed entered into between the Company and the defendant and remained outstanding. The same month, Hesteel Co., Ltd. Chengde Branch as the plaintiff filed a claim against the Company as the defendant with Chengde City Intermediate People's Court for an aggregate amount of RMB30,180,000. Upon application, Chengde City Intermediate People's Court agreed to combine the above cases and will hold a hearing in September 2019.

MATERIAL ACQUISITION AND DISPOSAL

As at 30 June 2019, save as disclosed herein, the Group was not involved in any material acquisition and disposal.

PROSPECT

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 Company has now possessed a grade A environmental engineering design (air pollution control project) qualification certificate（甲級環境工程設計專項（大氣污染防治工程）資質證書）issued by the Ministry of Housing and Urban-Rural Development in the People's Republic of China（中華人民共和國住房和城鄉建設部）, a grade A air pollution control engineering design service capability evaluation certificate（甲級大氣污染治理工程專項設計服務能力評價證書）and a grade A air pollution control main contractor service capability evaluation certificate（甲級大氣污染治理工程總承包服務能力評價證書）both issued by Zhejiang Environmental Protection Industry Association in the People's Republic of China, which allow the Company to tender for more projects in the future.

The Group believes that its established customer base in the PRC and its exposure to overseas markets could help it lay a solid foundation for future expansion in both domestic and overseas markets of the Group and place it in an ideal position to capture the growth in any of those markets. Looking forward, the Group will continue to enhance its 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 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. Li Jiannan 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 30 August 2019.

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
30 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. BIAN Yu, Mr. BIAN Weican and Ms. BIAN Shu; the non-executive directors of the Company are Mr. BIAN Jianguang, Mr. CHEN Jiancheng and Mr. ZHU Xian Bo; and the independent non-executive directors of the Company are Mr. ZHANG Bing, Mr. FUNG Kui Kei and Mr. LI Jiannan.