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 2020

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 2020 (the "**Reporting Period**") was approximately RMB239.06 million, representing a decrease of approximately 29.49% 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 RMB2.44 million, representing a decrease of approximately 91.60% 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	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**239,055**	339,053
Cost of goods sold		**(196,815)**	(276,800)
GROSS PROFIT		**42,240**	62,253
Other income	*5*	**1,617**	2,510
Selling expenses		**(4,996)**	(7,436)
Administrative expenses		**(31,375)**	(14,168)
Other operating expenses		**(109)**	(61)
Profit from operations		**7,377**	43,098
Finance costs	*7*	**(3,682)**	(2,637)
PROFIT BEFORE TAX		**3,695**	40,461
Income tax expense	*8*	**(1,254)**	(11,401)
PROFIT FOR THE PERIOD		**2,441**	29,060
ATTRIBUTABLE TO:			
Owners of the parent		**2,441**	29,060
EARNINGS PER SHARE			
Basic *(RMB)*		**0.02**	0.22
Diluted *(RMB)*		**0.02**	0.22

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2020	31 December 2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**74,758**	77,495
Prepaid land lease payments		**40,050**	43,020
Intangible assets		**1,193**	65
Deferred tax assets		**43,258**	40,147
Pledged deposits		**1,663**	4,255
Deposit paid for intangible asset		**–**	1,292
Total non-current assets		**160,922**	166,274
CURRENT ASSETS			
Inventories		**317,438**	325,135
Trade and bills receivables		**695,559**	800,542
Contract assets and contract costs		**258,604**	200,005
Prepayments, deposits and other receivables		**24,754**	25,558
Prepaid land lease payments		**1,980**	–
Investments at fair value through profit or loss		**1,015**	1,077
Pledged deposits		**65,473**	40,782
Bank and cash balances		**5,385**	39,307
Total current assets		**1,370,208**	1,432,406
CURRENT LIABILITIES			
Trade and bills payables		**282,693**	366,417
Contract liabilities		**270,777**	233,103
Other payables and accruals		**108,893**	106,944
Bank loans	*9*	**106,753**	126,207
Tax payable		**4,058**	10,494
Total current liabilities		**773,174**	843,165
NET CURRENT ASSETS		**597,034**	589,241
TOTAL ASSETS LESS CURRENT LIABILITIES		**757,956**	755,515
NET ASSETS		**757,956**	755,515
CAPITAL AND RESERVES			
Share capital		**135,000**	135,000
Share premium		**239,064**	239,064
Reserves		**383,892**	381,451
TOTAL EQUITY		**757,956**	755,515

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 2019 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 2019.

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

In the Reporting 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 2020. 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 Reporting Period 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 consisted of (i) sales of environmental protection equipment for installation and sale of environmental pollution prevention equipment and electronic products; (ii) the invoiced value of materials sold; and (iii) the value of services rendered during the Reporting Period.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of environmental protection equipment	**219,022**	324,463
Sale of materials	**11,729**	6,391
Rendering of services	**8,304**	8,199
	239,055	339,053

Disaggregation of revenue from sales of environmental protection equipment:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**208,570**	312,777
Other countries	**10,452**	11,686
Total	**219,022**	324,463
Major products		
Electronstatic precipitator	**98,625**	197,830
Electronstatic-bag composite precipitator	**32,867**	28,359
Bag filter precipitator	**11,321**	32,834
SO_2 and NO_x emission reduction (desulfurisation and denitrification devices)	**68,748**	64,961
Others (e.g. Pneumatic ash conveying system)	**7,461**	478
Total	**219,022**	324,463
Timing of revenue recognition		
At a point in time		
– Sales of environmental protection equipment	**219,022**	324,463
– Sale of materials	**11,729**	6,391
– Rendering of services	**8,304**	8,199
Total	**239,055**	339,053

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**444**	214
Government grants	**1,154**	2,296
Others	**19**	–
	1,617	2,510

6. OPERATING SEGMENT INFORMATION

The Group's revenue during the Reporting Period was mainly derived from (i) environmental protection equipment contract revenue for installation and sale of environmental pollution prevention equipment and electronic products; (ii) the invoiced value of goods sold; and (iii) 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**228,603**	327,367
Other countries	**10,452**	11,686
	239,055	339,053

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on banks loans	**3,682**	2,637

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax for the period	**4,364**	11,391
Deferred tax	**(3,110)**	10
Total tax charge for the period	**1,254**	11,401

9. BANK LOANS

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank loans analysed as:		
Secured	**106,753**	125,052
Unsecured		
Margin loan	**–**	1,155
Total	**106,753**	126,207

The secured bank loans of the Group amounting to RMB46,500,000 (2019: 46,500,000) were secured by (i) the Group's building situated in the Mainland China, which had an aggregate net carrying value of RMB8,918,000 as at 30 June 2020 (2019: RMB9,594,000); (ii) the Group's leasehold land situated in Mainland China, which had an aggregate carrying amount of RMB14,583,000 as at 30 June 2020 (2019: RMB15,200,000).

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

	30 June 2020	31 December 2019
fixed-rate	**4.79%-5.66%**	4.79%-5.66%

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the period ended 30 June 2020 (six months ended 30 June 2019: 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**2,441**	29,060

	Number of shares	
	Six months ended 30 June	
	2020	2019
	(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 22 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 (SO_2) and Nitrogen Oxide (NO_x) emission reduction products. During the Reporting Period, the Group's revenue was mainly derived from Electronstatic precipitator, which accounted for approximately 41.26% 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 22 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

As one of the largest economies in the world, numerous environmental protection policies have been introduced in the PRC. Following the successive promulgation of related laws and regulations such as the "Ten Requirements Controlling Air Pollution", China's environmental protection industry revolution has continued to deepen, making the environmental protection industry to be one of China's key strategic emerging industries with boundless prospects for development.

From 2019 to 2020, China's environmental protection efforts have been further strengthened. Environmental protection policies and measures have been extended from administrative means to legal, administrative and economic means, which has fully mobilized the proactiveness and initiatives of third parties for pollution control. Market-oriented approach such as environmental protection taxes and sewage permits have been introduced successively. 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.

As China's key strategic industries, governments at all levels throughout the country also attach great importance to environmental protection industries in provinces and cities, and actively promote energy saving, emission reduction and environmental governance works. For example, Zhejiang Province issued the "Overall Plan for the Reform of Ecocivilization System in Zhejiang Province（《浙江省生態文明體制改革總體方案》）" in July 2017; Shaanxi Province issued the "13th Five-Year Plan for the Protection of Ecological Environment in Shaanxi Province（《陝西省「十三五」生態環境保護規劃》）" in October 2017; Beijing issued the "Administrative Measures of Special Funds for Energy Saving and Emission Reduction and Environmental Protection Projects in Beijing（《北京市節能減排及"環境保護專項資金管理辦法》）in June 2018; and Jiangsu Province introduced the "Threeyear Construction Plan for Environmental Infrastructure in Jiangsu Province (2018-2020)"（《江蘇省環境基礎設施三年建設方案（2018-2020年）》）in March 2019.

Up to now, almost all provinces and cities in China have promulgated relevant policies, financial support or project management plans for ecological environment protection, providing strong support for China's comprehensive promotion of the environmental protection industry.

The outbreak of the novel coronavirus disease (COVID-19) (the "**Epidemic**") resulted in downtrend of economy and transportation difficulties in the People's Republic of China, which delayed new tenders of the Group and affected the customer orders of the Group due to slower economic activity, while the Group strongly believes that leveraging on its track record and advanced technologies together with its stable workplaces and staff, the business and the financial result of the Group will be back to upward trend in the coming half year.

For the Reporting Period, the revenue and the profit and total comprehensive income of the Group amounted to approximately RMB239.06 million and approximately RMB2.44 million respectively. For the Reporting Period, the Group's gross profit amounted to approximately RMB42.24 million, representing a decrease of approximately 32.14% as compared with approximately RMB62.25 million for the corresponding period of 2019; while the gross profit margin decreased by approximately 0.69% to approximately 17.67% as compared with the corresponding period of 2019. The decrease in revenue and profit and total comprehensive income for the Reporting Period of the Group was mainly due to the outbreak of the Epidemic which resulted in a significant decrease in work progress of the contracts of the Group during the Reporting Period. In accordance with the Group's revenue recognition method, the Group only recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

In response to the outbreak of COVID-19 pandemic, the PRC government has introduced a series of policies, providing reliefs and exemptions in different aspects including taxes and social security. It has also facilitated the rapid recovery of the market and enterprises by continuing to streamline government administrative procedures, supporting new methods and new modes of business operations, increasing investments in infrastructure and expanding domestic demands.

Domestic trade and foreign trade recovered gradually. Since the PRC was among the first to tackle and curb COVID-19 pandemic, with majority of the districts of the country having contained the situation, market demands have rebounded. In addition, the PRC holds a world leading position in terms of supply capacity. Hence, its foreign trade and domestic trade are expected to gradually pick up during the second half of the year, as European countries resume economic activities progressively and adopt economic stimulus measures.

The outlook of the Group's business will be impacted by various uncertainties during the second half of 2020. However, the Group will continue to make concerted efforts and strive to battle the Epidemic and look for business opportunities to broaden sources of income, enhance the value of the Group and maximise Shareholders' return.

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 RMB125 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 RMB2,117 million.

The Group's profit before tax for the Reporting Period decreased to approximately RMB3.70 million and profits attributable to owners of the Company decreased to approximately RMB2.44 million, representing a decrease of approximately 90.87% and 91.60% respectively when compared to the corresponding period of 2019. The aforesaid decrease was mainly due to the outbreak of the Epidemic which resulted in a significant decrease in the recognised revenue of the Group for the Reporting Period, and also due to the increase in the provision for loss allowance for trade and bills receivables.

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 2020, 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 2020, the Group maintained a total of 528 full-time employees (As at 31 December 2019: 550). 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 RMB239.06 million for the Reporting Period, representing a decrease of approximately 29.49% as compared with the corresponding period of 2019. The decrease in revenue for the Reporting Period of the Group was mainly due to the outbreak of the Epidemic which resulted in a significant decrease in work progress of the contracts of the Group during the Reporting Period. In accordance with the Group's revenue recognition method, the Group only recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Revenue generated from environmental protection equipment products of the Group amounted to approximately 91.62% 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 RMB196.82 million for the Reporting Period, representing a decrease of approximately 28.89% from approximately RMB276.80 million as compared with the corresponding period of 2019.

Gross Profit Margin

The unaudited gross profit margin for the Reporting Period was approximately 17.67%, representing a decrease of approximately 0.69% from approximately 18.36% as compared with the corresponding period of 2019.

Profit attributable to owners of the parent

The unaudited profit attributable to the owners of the parent for the Reporting Period was approximately RMB2.44 million, representing a decrease of approximately 91.60% from approximately RMB29.06 million as compared with the corresponding period of 2019. Weighted average earnings per share amounted to approximately RMB2 cents for the Reporting Period.

WORKING CAPITAL

As at 30 June 2020, the Group's working capital (current assets less current liabilities) amounted to approximately RMB597.03 million (31 December 2019: approximately RMB589.24 million).

Gearing Ratio

As of 30 June 2020, the Group's gearing ratio *(Note)* was approximately 13.37% (31 December 2019: approximately 11.50%).

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 4.37% and 3.45% of the Group's sales for the period ended 30 June 2020 and 30 June 2019, respectively 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 2019: 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 protection equipment contracts entered into between the Company and the defendant and remained outstanding. On 21 September 2018, after mediation by Zhuji City People's Court, Zhejiang Province, the Company (as the plaintiff) and Changchun Kaixi Environmental Protection Co., Ltd. (as the defendant) reached a mediation agreement, and Changchun Kaixi Environmental Protection Co., Ltd. shall pay the outstanding amount of RMB16,925,086 to the Company (as the plaintiff). On 20 June 2019, because Changchun Kaixi Environmental Protection Co., Ltd. (as the defendant) failed to pay the amount on time, the Company filed an application with Zhuji City People's Court in Zhejiang, the PRC, requesting the coercive measures to be taken on Changchun Kaixi Environmental Protection Co., Ltd. (as the respondent). As of 30 June 2020, Changchun Kaixi has not paid off the outstanding amount.

(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. In 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 held a hearing on 10 September 2019. As of 30 June 2020, Chengde City Intermediate People's Court has not yet issued a verdict on the case.

(3) In July 2019, the Company (as the applicant) filed a claim against Laoting Huayang Thermal Power Co., Ltd. (as the respondent) with China International Economic and Trade Arbitration Commission and claimed the respondent for an aggregate amount of RMB32,643,886. In the same month, Laoting Huayang Thermal Power Co., Ltd. (as the applicant) also filed a claim against the Company (as the respondent) with China International Economic and Trade Arbitration Commission for the same contract, and claimed the Company for an aggregate amount of RMB10,296,172 and the interest losses. On 14 August 2019, China International Economic and Trade Arbitration Commission accepted the case, and held a hearing on 22 November 2019. As of 30 June 2020, the case is still in the trial stage.

MATERIAL ACQUISITION AND DISPOSAL

On 1 June 2020, the Company entered into the Agreement with 浙江天潔新能源股份有限公司 (Zhejiang Tengy New Energy Company Limited), as the Vendor, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Capital, representing 49% of the equity interest of 內蒙古國電和潔風能有限公司 (Inner Mongolia Guodian Hejie Wind Energy Co., Ltd.), as the Target Company, for the consideration of RMB73,500,000. For details, please refer to the announcement of the Company dated 1 June 2020 and the circular of the Company dated 26 June 2020. Save as above, the Group did not have any other material acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

PROSPECT

In order to cooperate with the relevant environmental protection policies in PRC, the Group will devote to enhance its research and development capabilities, develop new technologies and expand our product portfolio (such as ash conveyers) to fight the atmospheric pollution control battle for our country for protecting our country’s blue sky and water, and give back to the society.

Besides, the Group will continue to actively seek appropriate acquisition projects to expand its capabilities of research and development, manufacturing and sales, as well as to access new domestic and international markets.

The Group hopes to capture the growing opportunities in the atmospheric pollution control solution industry in the PRC through internal research and development and external expansion to consolidate the Group's existing business, and enhance the Group's national and international brand recognition in order to expand the its domestic and international market share.

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 enable it to become the leading player in the atmospheric pollution control solution industry.

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 31 August 2020.

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
31 August 2020

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