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浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd
(a joint stock company established in the People’s Republic of China with limited liability)
(Stock Code: 1527)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (the “**Reporting Period**”) was approximately RMB312.4 million, representing an increase of approximately 88.55% 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 RMB9.02 million, representing an increase of approximately 494.66% when compared with that of the corresponding period of last year.
- The board (the “**Board**”) of directors of the Company (the “**Directors**”) 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

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
REVENUE	4	312,428	165,696
Cost of goods sold		<u>(245,066)</u>	<u>(144,305)</u>
GROSS PROFIT		67,362	21,391
Other income	5	3,395	15,916
Selling expenses		(3,904)	(5,274)
Administrative expenses		(37,071)	(29,875)
Other operating expenses		<u>(1,033)</u>	<u>(133)</u>
Profit from operations		28,749	2,025
Finance costs	7	(2,829)	(3,246)
Share of loss of associates		<u>(7,439)</u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX		18,481	(1,221)
Income tax (expense)/credit	8	<u>(9,460)</u>	<u>2,738</u>
PROFIT FOR THE PERIOD		<u>9,021</u>	<u>1,517</u>
ATTRIBUTABLE TO:			
Owners of the parent		<u>9,021</u>	<u>1,517</u>
EARNINGS PER SHARE			
Basic (<i>RMB</i>)		<u>0.07</u>	<u>0.01</u>
Diluted (<i>RMB</i>)		<u>0.07</u>	<u>0.01</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		82,144	81,160
Right-of-use assets		38,068	39,058
Intangible assets		741	890
Deferred tax assets		50,663	52,102
Investment properties		5,074	–
Investment in associates		137,126	144,565
Pledged deposits		12,785	6,648
		326,601	324,423
Current assets			
Inventories		244,980	321,372
Trade and bills receivables	9	781,167	796,124
Contract assets and contract cost		32,530	79,626
Prepayment, deposits and other receivables		69,369	39,934
Investments at fair value through profit or loss		8,810	8,836
Pledged deposits		20,978	8,653
Bank and cash balances		7,815	9,373
		1,165,649	1,263,918
Current liabilities			
Trade and bills payables	10	223,919	327,716
Contract liabilities		262,250	264,251
Other payables and accruals		139,346	98,647
Bank loans	11	68,658	115,158
Tax payable		8,440	1,953
		702,613	807,725
Net current assets		463,036	456,193
Total assets less current liabilities		789,637	780,616
NET ASSETS		789,637	780,616
Capital and reserves			
Share capital		135,000	135,000
Share premium		239,064	239,064
Reserves		415,573	406,552
TOTAL EQUITY		789,637	780,616

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Zhejiang Tengy Environmental Technology Co., Ltd (the “**Company**”) is a joint stock company with limited liability established in the People’s Republic of China (the “**PRC**”). The registered office of the Company is located at 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 2021 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 2021.

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 HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. 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	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Sales of environmental protection equipment	306,237	158,131
Sale of materials	5,988	7,561
Rendering of services	203	4
	<u>312,428</u>	<u>165,696</u>

Disaggregation of revenue from sales of environmental protection equipment:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	305,389	158,126
Other countries	848	5
	<hr/>	<hr/>
Total	306,237	158,131
	<hr/> <hr/>	<hr/> <hr/>
Major products		
Electrostatic precipitator	256,820	61,908
Electrostatic-bag composite precipitator	–	6,709
Bag filter precipitator	26,777	5,256
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices)	13,879	70,352
Others (e.g. Pneumatic ash conveying system)	8,761	13,906
	<hr/>	<hr/>
Total	306,237	158,131
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
At a point in time		
– Sales of environmental protection equipment	306,237	158,131
– Sale of materials	5,988	7,561
– Rendering of services	203	4
	<hr/>	<hr/>
Total	312,428	165,696
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	53	113
Government grants	3,240	539
Others	102	164
Reversal of doubtful receivable amount	–	15,100
	<hr/>	<hr/>
Total	3,395	15,916
	<hr/> <hr/>	<hr/> <hr/>

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	311,580	165,659
Other countries	848	37
	<u>312,428</u>	<u>165,696</u>

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	<u>2,829</u>	<u>3,246</u>

8. INCOME TAX EXPENSE/(CREDIT)

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/(credit) of the Group is analysed as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax for the period	8,021	62
Deferred tax	1,439	(2,800)
Income tax expense/(credit) for the period	<u>9,460</u>	<u>(2,738)</u>

9. TRADE AND BILLS RECEIVABLES

	As at	
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	889,323	845,953
Bills receivable	81,851	128,925
	(187,015)	(175,756)
Impairment provision	<u>(2,992)</u>	<u>(2,998)</u>
	<u>781,167</u>	<u>796,124</u>

The Group's trading terms with its customers are payment in advance normally required from customers. Trade receivables are non-interest-bearing and the credit period is generally 1 month. The Group seeks to maintain strict control over its outstanding trade receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group's bills receivable are all due within one year. As at 30 June 2022, the Group's bills receivable of RMB17,686,000 (31 December 2021: RMB48,923,000) were pledged to secure the Group's bills payable (note 15).

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

	As at	
	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	296,275	245,302
1 to 2 years	137,318	151,307
2 to 3 years	134,606	136,976
Over 3 years	134,109	136,612
	<u>702,308</u>	<u>670,197</u>

10. TRADE AND BILLS PAYABLES

	As at	
	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	199,426	292,939
Bills payable	24,493	34,777
	<u>223,919</u>	<u>327,716</u>

The bills payable were secured by the pledge of the Group's time deposits of RMB19,503,000 (31 December 2021: RMB11,448,000) and the Group's bills receivable of RMB17,686,000 (31 December 2021: RMB48,923,000) as at 30 June 2022.

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

	As at	
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	109,039	253,664
1 to 2 years	58,856	17,549
2 to 3 years	17,185	10,453
Over 3 years	14,346	11,273
	199,426	292,939

11. BANK LOANS

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank loans analysed as:		
Secured	60,000	106,500
Unsecured		
Margin loan	8,658	8,658
Total	68,658	115,158

As at 30 June 2022, the bank loan were secured by corporate guarantee. The margin loan was secured by the investments at fair value through profit or loss.

As at 31 December 2021, the secured bank loan of the Group amounting to RMB46,500,000 were secured by (i) the Group's building situated in the Mainland China, which had an aggregate net carrying value of RMB46,294,000; and (ii) the Group's land use rights situated in Mainland China, which had an aggregate carrying amount of RMB25,280,000. The remaining amount were secured by corporate guarantee. The margin loan was secured by the investments at fair value through profit or loss.

The effective interest rates per annum at the end of the Reporting Period were as follows:

	30 June 2022	31 December 2021
Fixed-rate	<u><u>5.22%</u></u>	<u><u>5.22%–5.62%</u></u>

12. DIVIDENDS

The Directors do not recommend the payment of any dividend for the period ended 30 June 2022 and 2021.

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

The calculation of the basic earnings per share 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u><u>9,021</u></u>	<u><u>1,517</u></u>
Number of shares		
	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u><u>135,000,000</u></u>	<u><u>135,000,000</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Our Group

The Group has over 24 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 (NO_x) emission reduction products. During the Reporting Period, the Group's revenue was mainly derived from electronstatic precipitator and bag filter precipitator products, which accounted for approximately 82.20% and approximately 8.57% respectively 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 24 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 SO₂ 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 State Council of the PRC issued the 14th Five-Year Comprehensive Work Plan for Energy Conservation and Emission Reduction (“**14th Five-Year Work Plan**”) in January 2022, which made an overall deployment for energy conservation and emission reduction during the 14th Five-Year Plan period (i.e. 2021-2025) and put forward a task book, timetable and roadmap, with a view to promoting energy conservation and emission reduction projects in order to accelerate the comprehensive green transformation of economic and social development and lay a foundation for further realization of carbon peaking and carbon neutrality. Therefore, the environmental protection and emission reduction industry continues to be one of the important strategic industries in China with great development prospects.

According to the 14th Five-Year Work Plan, by 2025, China’s total emissions of chemical oxygen demand, ammonia nitrogen, nitrogen oxides and volatile organic compounds must be reduced by 8%, 8%, more than 10% and more than 10%, respectively, compared with 2020, so that the emission control level of major pollutants in China’s key industries will basically reach the internationally advanced level, so as to ensure the overall improvement of the ecological environment quality and make the ecological civilization construction compatible with the building of a moderately prosperous society in an all-round way.

In the first year of the 14th Five-Year Plan period, governments at all levels in China have actively promoted energy conservation, emission reduction and environmental governance. 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.

In addition, the 14th Five-Year Work Plan also proposed to deploy ten key projects for energy conservation and emission reduction, among which, the green upgrade project in key industries, the pollutant emission reduction project in key regions, the clean and efficient coal utilization project and the comprehensive volatile organic compound treatment project are all within the scope of the Group’s professional fields.

Meanwhile, China has been implementing a large number of infrastructure projects and telecommunications engineering projects in recent years, where the related projects need the support of the power generation industry, which has increased the demand for the Group’s environmental protection equipment.

The Group believes that, with previous design and manufacturing experience and advanced technology, coupled with our strong R&D team, the Group is able to seize the business opportunities brought about by the 14th Five-Year Work Plan and a large number of infrastructure and telecommunication projects to expand the Group's domestic market share.

The sporadic outbreak of the novel coronavirus disease (COVID-19) (the “**Epidemic**”) in China in the first half of 2022 resulted in a slowdown in economic activities and transportation difficulties in China. As a result, the Group's new tenders were delayed and customers' orders were affected. In response to the Epidemic, the Chinese government has issued a series of policies to provide relief in different aspects such as taxation and social security. The Chinese government has also continued to streamline government administrative procedures, support new methods and models of business operations, increase investment in infrastructure and expand domestic demand, which has contributed to a rapid recovery of the market and businesses.

In the second half of 2022, various uncertainties will affect the prospects of the Group's business. However, the Group will continue to work together to combat the Epidemic and seek business opportunities to expand revenue streams, enhance the Group's value and maximize returns of the shareholders of the Company (the “**Shareholders**”).

For the Reporting Period, the revenue and the profit and total comprehensive income of the Group amounted to approximately RMB312.43 million and approximately RMB9.02 million respectively. For the Reporting Period, the Group's gross profit amounted to approximately RMB67.36 million, representing an increase of approximately 214.91% as compared with approximately RMB21.39 million for the corresponding period of 2021; and the gross profit margin increased by approximately 8.65% to approximately 21.56% as compared with the corresponding period of 2021. The increase in revenue of the Group for the Reporting Period was mainly due to completion of a number of large-scale projects in the first half of 2022.

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 RMB204 million. As at 30 June 2022, 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 RMB1,770 million.

The Group recorded profit before tax which amounted to approximately RMB18.48 million for the Reporting Period while the Group recorded a loss before tax which amounted to approximately RMB1.22 million for the corresponding period of 2021. The Group's profit attributable to owners of the Company increased to approximately RMB9.02 million representing an increase of approximately 494.66% when compared to the corresponding period of 2021. The aforesaid increase was mainly due to (i) the number of large-scale projects completed in the first half of 2022; and (ii) the decrease in the price of steel, one of the major raw materials of the products produced by the Company.

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 the 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 2022, the Group had 50 registered patents (including 3 invention patents and 47 utility model patents) in the PRC. Based on its 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 1,000MW. The Group is one of the few manufacturers in the PRC which provides electrostatic precipitators for single generator unit with capacity of 1,000MW or above.

As at 30 June 2022, the Group maintained a total of 433 full-time employees (As at 31 December 2021: 484). 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 RMB312.43 million for the Reporting Period, representing an increase of approximately 88.55% as compared with the corresponding period of 2021. The increase in revenue of the Group for the Reporting Period was mainly due to completion of a number of large-scale projects in the first half of 2022.

Revenue generated from environmental protection equipment products of the Group amounted to approximately 98.02% 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 are related to the manufacture, installation and sale of electrostatic precipitators.

Cost of Sales

The Group's costs incurred in environmental protection equipment contracts 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 RMB245.07 million for the Reporting Period, representing an increase of approximately 69.83% from approximately 144.31 million as compared with the corresponding period of 2021.

Gross Profit Margin

The unaudited gross profit margin for the Reporting Period was approximately 21.56%, representing an increase of approximately 8.65% from approximately 12.91% as compared with the corresponding period of 2021.

Profit attributable to owners of the parent

The unaudited profit attributable to the owners of the parent for the Reporting Period was approximately RMB9.02 million, representing an increase of approximately 494.66% from approximately RMB1.52 million as compared with the corresponding period of 2021. Weighted average earnings per share amounted to approximately RMB0.09 for the Reporting Period.

WORKING CAPITAL

As at 30 June 2022, the Group's working capital (current assets less current liabilities) amounted to approximately RMB463.04 million (31 December 2021: approximately RMB456.19 million).

Gearing Ratio

As of 30 June 2022, the Group's gearing ratio (*Note*) was approximately 7.71% (31 December 2021: approximately 13.55%).

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 0.27% and 0.00% of the Group's sales for the period ended 30 June 2022 and 30 June 2021, 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 2021: Nil).

CONTINGENT LIABILITIES

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

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees.

MATERIAL ACQUISITION AND DISPOSAL

On 7 January 2022, a wholly owned subsidiary of the Company, Zhejiang Tianjie Environmental Engineering Company Limited* (浙江天潔環境工程有限公司) (“**Tianjie Environmental Engineering**”) entered into an agreement with Tengy Group Limited* (天潔集團有限公司) (“**TGL**”), pursuant to which Tianjie Environmental Engineering conditionally agreed to acquire and TGL conditionally agreed to sell properties which comprise the land-use rights to a state-owned land parcel and a plant erected on the land for the consideration of RMB25,900,000. TGL is the controlling shareholder of the Company and hence the above transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 14 April 2022, Tianjie Environmental Engineering and TGL entered into the Termination Deed, pursuant to which the parties agreed to terminate the Agreement. Pursuant to the Termination Deed, (i) TGL agreed to reimburse the total expenses incurred by the Purchaser for the Acquisition in the amount of approximately HK\$0.6 million; and (ii) the parties agreed to release and discharge each other from their respective duties, obligations and liabilities under the Agreement. Accordingly, the Acquisition will not proceed.

For details, please refer to the announcement of the Company dated 7 January 2022, the circular of the Company dated 8 February 2022 and the announcement of the Company dated 14 April 2022.

PROSPECT

In order to facilitate the implementation of the 14th Five-Year Work Plan in the PRC, the Group will devote time and resources to enhance its research and development capabilities, develop new technologies and expand our portfolio of environmental protection equipment (such as precipitators, conveyers and desulfurisation and denitrification devices) to fight the atmospheric pollution control battle in the PRC and achieve carbon peaking and carbon neutrality.

Besides, the Group will continue to actively seek appropriate acquisition projects to enter more different environmental protection and emission reduction industries, new materials and new energy fields.

The Group hopes to capture the opportunities arising from the 14th Five-Year Work Plan in the PRC through internal research and development and external expansion to consolidate the Group's existing business, and promote the diversification of the Group's business, thereby expanding the Group's domestic and international market share.

The Group believes that its established customer base in the PRC and its years of experience in the overseas market 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 environmental protection and emission reduction 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 code provisions listed in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 of 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 D.3.3 and D.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 2022.

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 2022

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

** For identification purpose only*