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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)**

## **AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

### **SUMMARY**

- The revenue of Zhejiang Tengy Environmental Technology Co., Ltd (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (the “**Year**”) was approximately RMB472.5 million, representing a decrease of approximately 38.1% when compared with that of the corresponding period of last year.
- The Group’s profit attributable to owners of the Company for the Year was approximately RMB53.6 million, representing an increase of approximately 160.1% when compared with that of the corresponding period of last year.
- The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of the Company has recommended the payment of a final dividend of RMB0.05 per share for the Year, subject to the shareholders’ approval at the 2023 annual general meeting.

## AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board is pleased to announce the audited consolidated results of the Group for the Year and the audited comparative figures of the corresponding period of 2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Revenue</b>	<i>4</i>	<b>472,471</b>	763,165
Cost of sales		<u>(405,032)</u>	<u>(652,175)</u>
Gross profit		<b>67,439</b>	110,990
Other income	<i>5</i>	<b>120,820</b>	13,717
Distribution and selling expenses		<b>(15,834)</b>	(14,109)
Administrative expenses		<b>(63,279)</b>	(74,643)
Other expenses		<u>(3,814)</u>	<u>(904)</u>
<b>Profit from operations</b>		<b>105,332</b>	35,051
Finance costs	<i>6</i>	<b>(7,668)</b>	(6,443)
Share of losses of associates		<u>(21,894)</u>	<u>(2,884)</u>
<b>Profit before tax</b>		<b>75,770</b>	25,724
Income tax expenses	<i>7</i>	<u>(22,165)</u>	<u>(5,112)</u>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<u><b>53,605</b></u>	<u>20,612</u>
<b>Earnings per share</b>			
<i>Basic and diluted (RMB per share)</i>	<i>8</i>	<u><b>0.40</b></u>	<u>0.15</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		2022	2021
	Notes	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		27,963	81,160
Right-of-use assets		1,020	39,058
Intangible assets		592	890
Deferred tax assets	16	43,878	52,102
Investment in associates		122,671	144,565
Pledged deposits	13	173	6,648
		<u>196,297</u>	<u>324,423</u>
<b>Current assets</b>			
Inventories	10	291,288	321,372
Trade and bills receivables	11	700,899	796,124
Contract assets		44,295	79,626
Prepayment, deposits and other receivables	12	61,906	39,934
Investments at fair value through profit or loss	9	–	8,836
Pledged deposits	13	–	8,653
Bank and cash balances	13	241,041	9,373
		<u>1,339,429</u>	<u>1,263,918</u>

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and bills payables	<i>14</i>	<b>200,711</b>	327,716
Contract liabilities		<b>354,675</b>	264,251
Other payables and accruals	<i>15</i>	<b>77,852</b>	98,647
Bank loans		<b>55,000</b>	115,158
Tax payable		<b>13,267</b>	1,953
		<u><b>701,505</b></u>	<u>807,725</u>
<b>Net current assets</b>		<u><b>637,924</b></u>	<u>456,193</u>
<b>Total assets less current liabilities</b>		<u><b>834,221</b></u>	<u>780,616</u>
<b>NET ASSETS</b>		<u><b>834,221</b></u>	<u>780,616</u>
<b>Capital and reserves</b>			
Share capital	<i>17</i>	<b>135,000</b>	135,000
Share premium		<b>239,064</b>	239,064
Reserves	<i>18</i>	<b>460,157</b>	406,552
<b>TOTAL EQUITY</b>		<u><b>834,221</b></u>	<u>780,616</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Safety production reserve RMB'000	Retained profits RMB'000	
At 1 January 2021	135,000	239,064	42,721	7,256	335,963	760,004
Total comprehensive income for the year	-	-	-	-	20,612	20,612
Appropriation to statutory surplus reserve	-	-	1,400	-	(1,400)	-
Appropriation to safety production reserve	-	-	-	897	(897)	-
At 31 December 2021	<u>135,000</u>	<u>239,064</u>	<u>44,121</u>	<u>8,153</u>	<u>354,278</u>	<u>780,616</u>
At 1 January 2022	135,000	239,064	44,121	8,153	354,278	780,616
Total comprehensive income for the year	-	-	-	-	53,605	53,605
Appropriation to statutory surplus reserve	-	-	5,202	-	(5,202)	-
Appropriation to safety production reserve	-	-	-	364	(364)	-
At 31 December 2022	<u>135,000</u>	<u>239,064</u>	<u>49,323</u>	<u>8,517</u>	<u>402,317</u>	<u>834,221</u>

These reserve accounts comprise the consolidated reserves of RMB450,863,000 (2021: RMB405,145,000) in the consolidated statements of financial position.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

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

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

As at 31 December 2022, (i) Tengy Group Limited (天潔集團有限公司) ("TGL"), a company established in the PRC, held 38,475,350 Domestic Shares, representing approximately 28.50% of the issued share capital of the Company, being the single largest shareholder of the Company; (ii) the collective shareholding of TGL, Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu (the "TGL Group") in the Company was 56,810,600 Domestic Shares, representing approximately 42.08% of the issued share capital of the Company and was the group of controlling shareholders (as defined under the Listing Rules) of the Company; and (iii) Changshan County Guoxi Equity Investment Co., Ltd.\* (常山縣國熙股權投資有限公司) ("Guoxi Equity Investment"), a state-owned enterprise, owned 37,125,000 Domestic Shares, representing 27.50% of the issued share capital of the Company, being the second single largest shareholder of the Company.

Particulars of the principal subsidiaries as at 31 December 2022 are set out below:

Name	Registered/ paid-up capital	Percentage of equity attributable to the Company directly	Place and date of establishment/ registration and place of operations	Principal activities
諸暨市天潔安裝工程有限公司 ("Tianjie Installation Engineering")	RMB4,500,000	100%	The PRC 14 May 2003	Provision of installation services
浙江天潔環境工程有限公司 ("Tianjie Environmental and Engineering")	RMB50,000,000	100%	The PRC 29 June 2009	Manufacture and sale of electronic products
吐魯番天潔環境科技有限公司 ("Turpan Environmental and Technology")	RMB20,000,000	100%	The PRC 19 July 2013	Manufacture and sale of environmental pollution prevention equipment
濟寧天潔環境工程有限公司 ("Jining Tianjie Environmental and Engineering")	RMB50,000,000	100%	The PRC 30 April 2021	Manufacture and sale of electronic products
浙江常山環境工程有限公司 ("Changshan Environmental and Engineering")	RMB50,000,000	100%	The PRC 28 October 2022	Manufacture and sale of electronic products

## **2.1 BASIS OF PREPARATION**

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

They have been prepared under the historical cost convention as modified by the investments at fair value through profit or loss and derivative instruments which are carried at their fair values/fair values less costs to sell. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

## **2.2 ADOPTION OF NEW AND REVISED HKFRSs**

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise HKFRSs; 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 application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

## **3. OPERATING SEGMENT INFORMATION**

The Group’s revenue during the Year was mainly derived from sale of 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	471,341	761,387
Other countries	1,130	1,778
	<u>472,471</u>	<u>763,165</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.

Revenue from major customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	N/A*	117,608
Customer B	N/A*	104,824
Customer C	109,345	N/A*
Customer D	55,905	N/A*
	<u>55,905</u>	<u>N/A*</u>

\* Customer did not contribute more than 10% of the total consolidated revenue of the Group for the Year.

## 4. REVENUE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>		
Sales of environmental protection equipment	442,739	744,011
Sales of materials	29,549	18,878
Rendering of services	183	276
	<u>472,471</u>	<u>763,165</u>



Disaggregation of revenue from sales of environmental protection equipment:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Geographical markets</b>		
Mainland China	442,739	742,233
Other countries	–	1,778
	<u>442,739</u>	<u>744,011</u>
Total	<u><b>442,739</b></u>	<u><b>744,011</b></u>
<b>Major products</b>		
Electrostatic precipitator	326,480	446,681
Electrostatic-bag composite precipitator	10,393	39,809
Bag filter precipitator	63,836	28,751
SO <sub>2</sub> and NO <sub>x</sub> emission reduction (desulfurisation and denitrification devices)	11,027	182,368
Others (e.g. Pneumatic ash conveying system)	31,003	46,402
	<u>31,003</u>	<u>46,402</u>
Total	<u><b>442,739</b></u>	<u><b>744,011</b></u>
<b>Timing of revenue recognition</b>		
At a point in time		
– Sales of environmental protection equipment	442,739	744,011
– Sale of materials	29,549	18,878
– Rendering of services	183	276
	<u>183</u>	<u>276</u>
Total	<u><b>472,471</b></u>	<u><b>763,165</b></u>

#### **Sales of Environmental protection equipment**

The Group manufactures, sells and installs environmental pollution prevention equipment to the customers. The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts within one month. Sales are recognised when control of the products and services have transferred, being when the products are delivered to a customer. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

If a contract includes the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

## Sales of materials

The Group sells the materials to the customers. The products amount is repayable within one month. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 5. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	297	128
Government grants	3,310	4,132
Litigation claim	–	4,903
Gain on disposal investments at fair value through profit or loss	810	–
Gain on acquisition of an associate	–	3,950
Gain on disposal of property, plant and equipment and right-of-use assets	116,344	–
Others	59	604
	<u>120,820</u>	<u>13,717</u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans	<u>7,668</u>	<u>6,443</u>

## 7. INCOME TAX EXPENSES

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC Enterprise Income Tax for the year	13,941	1,169
Deferred tax ( <i>note 16</i> )	<u>8,224</u>	<u>3,943</u>
	<u><u>22,165</u></u>	<u><u>5,112</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax	<u><u>75,770</u></u>	<u><u>25,724</u></u>
Tax at the statutory tax rate of 25%	18,943	6,431
Additional deduction on research and development expenses	(2,986)	(2,953)
Tax effect of non-deductible expenses	6,208	2,621
Tax effect of non-taxable income	<u>—</u>	<u>(987)</u>
Income tax expenses for the year	<u><u>22,165</u></u>	<u><u>5,112</u></u>

**8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 135,000,000 (2021: 135,000,000) in issue during the Year.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic earnings per share are based on:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	<u><u>53,605</u></u>	<u><u>20,612</u></u>

	<b>Number of shares</b>	
	<b>2022</b>	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u><u>135,000,000</u></u>	<u><u>135,000,000</u></u>

**9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Ferrous metal future contract, at fair value – current assets	<u><u>–</u></u>	<u><u>8,836</u></u>

## 10. INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	14,634	38,278
Work in progress	1,001	10,329
Finished goods	<u>275,653</u>	<u>272,765</u>
	<u><b>291,288</b></u>	<u><b>321,372</b></u>

## 11. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	740,524	845,953
<i>Less: provision for loss allowance</i>	<u>(136,416)</u>	<u>(175,756)</u>
	<b>604,108</b>	670,197
Bills receivable	99,783	128,925
<i>Less: provision for loss allowance</i>	<u>(2,992)</u>	<u>(2,998)</u>
	<u><b>700,899</b></u>	<u><b>796,124</b></u>

Trade receivables are non-interest-bearing and the credit term is generally one month. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group's bills receivable are all due within one year. As at 31 December 2022, the Group's bills receivable of approximately RMB18,264,000 (2021: approximately RMB48,923,000) were pledged to secure the Group's bills payable (note 14).

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>206,770</b>	245,302
1 to 2 years	<b>178,630</b>	151,307
2 to 3 years	<b>111,710</b>	136,976
3 to 4 years	<b>106,998</b>	136,612
	<b><u>604,108</u></b>	<u>670,197</u>

Reconciliation of loss allowance for trade receivables:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>175,756</b>	170,374
Transfer from loss allowance for contract asset	–	3,696
Written off the loss allowance for the year	<b>(51,892)</b>	(4,534)
Increase in loss allowance for the year	<b>12,552</b>	6,220
	<b><u>136,416</u></b>	<u>175,756</u>

Reconciliation of loss allowance for bills receivables:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>2,998</b>	2,998
Increase in loss allowance for the year	<b>(6)</b>	–
	<b><u>2,992</u></b>	<u>2,998</u>

The Group applies the simplified approach under HKFRS 9 “Financial Instrument” to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging. The expected credit losses also incorporate forward looking information.

	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
<b>At 31 December 2022</b>					
Weighted average expected loss rate	0%	14%	12%	46%	18%
Receivable amount (RMB'000)	206,770	207,868	126,593	199,293	740,524
Loss allowance (RMB'000)	–	29,238	14,883	92,295	136,416
 At 31 December 2021					
Weighted average expected loss rate	0%	12%	18%	48%	21%
Receivable amount (RMB'000)	245,302	171,572	167,019	262,060	845,953
Loss allowance (RMB'000)	–	20,265	30,043	125,448	175,756

As at 31 December 2022, the Group had endorsed certain bills receivable accepted by certain banks in the PRC (the “**Endorsed Notes**”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. In accordance with the “Law of Negotiable Instruments” in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). The total carrying amount of the Endorsed Notes of the Group as at 31 December 2022 was approximately RMB75,944,000 (2021: approximately RMB200,717,000). In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks (the “**Derecognised Notes**”) with an amount of approximately RMB44,301,000 as at 31 December 2022 (2021: approximately RMB132,966,000). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in these Derecognised Notes are not significant. The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of approximately RMB31,643,000 as at 31 December 2022 (2021: approximately RMB67,751,000), because the Directors believe that the Group has retained substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

During the Year, the Group has not recognised any gain or loss (2021: Nil) on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the Year or cumulatively. The Endorsement has been made evenly throughout the Year.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other receivables	44,781	28,489
Less: impairment losses	<u>(3,284)</u>	<u>(3,161)</u>
	41,497	25,328
Prepayments	<u>20,409</u>	<u>14,606</u>
	<u><b>61,906</b></u>	<u><b>39,934</b></u>

The movements in impairment losses of other receivables are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	3,161	3,981
Increase/(decrease) in impairment loss on other receivables	<u>123</u>	<u>(820)</u>
At 31 December	<u><b>3,284</b></u>	<u><b>3,161</b></u>

## 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At the end of the Year, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB240,945,000 (2021: approximately RMB9,261,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Pledged deposit with banks have been placed as security for bills payables issued by the Group. Bank guarantees are performance guarantees and made for varying periods ranging from several months to five years depending on the agreement of the contract, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.



#### 14. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	183,498	292,939
Bills payables	<u>17,213</u>	<u>34,777</u>
	<u><b>200,711</b></u>	<u><b>327,716</b></u>

The bills payables were secured by the pledge of bank deposits of approximately RMBnil (2021: approximately RMB11,448,000) (note 13) and the Group's bills receivables of approximately RMB18,264,000 (2021: approximately RMB48,923,000) as at 31 December 2022 (note 11).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	103,891	253,664
1 to 2 years	59,314	17,549
2 to 3 years	6,865	10,453
Over 3 years	<u>13,428</u>	<u>11,273</u>
	<u><b>183,498</b></u>	<u><b>292,939</b></u>

## 15. OTHER PAYABLES AND ACCRUALS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	77,508	82,477
Due to the related companies ( <i>note</i> )	<u>344</u>	<u>16,170</u>
	<u><b>77,852</b></u>	<u><b>98,647</b></u>

*Note:* The amount due to the related companies are unsecured, non-interest bearing and have no fixed repayment terms.

## 16. DEFERRED TAX

### Deferred tax assets

	Changes in investments at fair value through profit or loss <i>RMB'000</i>	Impairment of other receivables <i>RMB'000</i>	Impairment of trade and bills receivables <i>RMB'000</i>	Accruals <i>RMB'000</i>	Tax loss <i>RMB'000</i>	Impairment of property, plant and equipment <i>RMB'000</i>	Unrealised profit in inventories <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	711	996	45,472	1,543	5,901	1,422	–	56,045
– Debit to consolidated statement of profit or loss	<u>(402)</u>	<u>(205)</u>	<u>(783)</u>	<u>(39)</u>	<u>(2,514)</u>	<u>–</u>	<u>–</u>	<u>(3,943)</u>
At 31 December 2021 and 1 January 2022	309	791	44,689	1,504	3,387	1,422	–	52,102
– Credit/(debit) to consolidated statement of profit or loss	<u>(309)</u>	<u>31</u>	<u>(9,838)</u>	<u>220</u>	<u>(1,543)</u>	<u>(1,422)</u>	<u>4,637</u>	<u>(8,224)</u>
At 31 December 2022	<u><b>–</b></u>	<u><b>822</b></u>	<u><b>34,851</b></u>	<u><b>1,724</b></u>	<u><b>1,844</b></u>	<u><b>–</b></u>	<u><b>4,637</b></u>	<u><b>43,878</b></u>

## 17. SHARE CAPITAL

### Shares

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Issued and fully paid:		
135,000,000 (2021: 135,000,000) ordinary shares	<u>135,000</u>	<u>135,000</u>

No changes in the Company's share capital for the Year.

## 18. RESERVES

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

### Statutory surplus reserve

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

### Safety production reserve

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is a first-class manufacturer of environmental protection products in China specializing in the design, manufacture, installation and servicing of environmental protection products as well as a general contractor for air pollution control projects such as precipitators and flue gas desulfurisation and denitrification devices in China, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries. The Group has years of industry experience and a record of continual innovation in industrial technologies.

The Group has formed an all-round technology research and development system comprising technical scheme design, engineering design centers and technical transformation project improvement. The Group has an R&D center in Hangzhou and employs more than 10 professional engineers, whose fields of expertise are environmental engineering, civil engineering and mechanical and electrical engineering. In addition, the Group's design center also employs a number of professionals. The Group has become a municipal R&D center and technology center in Shaoxing.

During the Year, the Group generated its revenue primarily from (i) sales of environmental protection equipment; (ii) sales of materials; and (iii) rendering of services.

The Group's sales of environmental protection equipment represented tailor-made and integrated atmospheric pollution control solutions offered by the Group to its customers, comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance services provided to its customers on a project basis.

During the Year, the Group mainly offered three types of precipitators: electrostatic precipitators, bag filter precipitator and SO<sub>2</sub> and NO<sub>x</sub> emission reduction (desulfurisation and denitrification devices).

The Group's sales of materials represented sales 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 provided to its customers on a stand-alone basis, which include repair and replacement, and on-site engineering and maintenance services for those projects which were not constructed by the Group.

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

## **Business Review**

The 20th National Congress of the Communist Party of China was held on 16 October 2022 at the Great Hall of the People in Beijing. On behalf of the 19th Central Committee, President Xi Jinping delivered a report to the congress entitled "Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects" (the "**20th National Congress Report**").

When summarizing the achievements of ecological civilization construction in the past decade, the 20th National Congress Report pointed out that "this has led to historic, transformative, and comprehensive changes in ecological and environmental protection and has brought us bluer skies, greener mountains, and cleaner waters". It also clarified that the construction of ecological civilization has a fundamental and strategic position in the central tasks of the Communist Party of China in the new era and new journey, including promoting green development and promoting the harmonious coexistence of mankind and nature which has become one of the core elements of the new development concept.

China's ecological civilization construction has established a strategic direction focusing on carbon reduction and promoting synergies between pollution reduction and carbon reduction. The 20th National Congress Report made strategic arrangements for the construction of ecological civilization in the future, such as coordinately promoting carbon reduction, pollution reduction, green expansion and growth and promoting ecological priority, conservation and intensiveness, green and low-carbon development, so as to form a mutually reinforcing relationship between environment and development.

Based on the concept of “promoting green development and harmonious coexistence between mankind and nature” proposed by the 20th National Congress Report, coupled with the 14th Five-Year Comprehensive Work Plan for Energy Conservation and Emission Reduction (“**14th Five-Year Work Plan**”) issued by the State Council of the PRC, energy conservation and emission reduction projects will become one of the priorities for accelerating the comprehensive green transformation of economic and social development and further achieving 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 fully, accurately and comprehensively implement the statement of “respecting, adapting to, and protecting nature is essential for building China into a modern socialist country in all respects” as indicated in the 20th National Congress Report. We must firmly establish and practice the concept of “lucid waters and lush mountains are invaluable assets”, and seek development from the perspective of “harmonious coexistence between mankind and nature”.

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.

Therefore, the Group believes that the governments at all levels in China will more actively promote energy conservation, emission reduction and environmental governance, and formulate more policies, financial support or project management plans for ecological environment protection. With previous design and manufacturing experience and advanced technology, coupled with our strong R&D team, the Group believes that it can seize the business opportunities brought about by the 20th National Congress Report and the 14th Five-Year Work Plan to expand the Group’s domestic market share.

The sporadic outbreak of the novel coronavirus disease (COVID-19) (the “**Epidemic**”) in China at the end 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 had issued a series of policies to provide relief in different aspects such as taxation and social security. The Chinese government also continued to streamline government administrative procedures, support new methods and models of business operations, increase investment in infrastructure and expand domestic demand, which contributed to a rapid recovery of the market and businesses.

In 2023, 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 the returns of the Shareholders.

For the Year, the revenue and total comprehensive income of the Group amounted to approximately RMB472.5 million and approximately RMB53.6 million respectively. During the Year, the Group’s gross profit amounted to approximately RMB67.4 million, representing a decrease of approximately 39.2% as compared with approximately RMB111.0 million of the corresponding period of last year; while the Group’s gross margin decreased by approximately 0.2% from last year to approximately 14.3%. The decrease was attributable to the completion of certain small-scale projects, which were with lower gross margin, during the Year.

For the Year, 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 RMB671.8 million. As at 31 December 2022, the Group’s backlog (including applicable value-added tax) (which represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date and assuming performance in accordance with the terms of the contract) was approximately RMB2,063.7 million.

The Group’s profit before tax for the Year increased to approximately RMB75.8 million while profits attributable to owners of the Company increased to approximately RMB53.6 million, representing a year-on-year increase of approximately 194.5% and increase of approximately 160.1% respectively. The aforesaid increase in profits attributable to owners of the Company is mainly due to the one-off gain on disposal of land in the amount of approximately RMB116.3 million; and the increase in the profits attributable to owners of the Company is partially offset by the decrease in gross profit due to the completion of certain small-scale projects, which were with lower gross margin, during the Year.

At the time of raising the amount of product sales, the Group spent great effort in enhancing 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 its 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 in estimating costs, smoothening project operations and improving operating efficiency.

As at 31 December 2022, the Group had 51 registered patents (including 3 invention patents and 48 utility model patents) in the PRC. Based on its strong design and engineering 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 6MW to over 1,240MW. 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 31 December 2022, the Group maintained a total of 446 full-time employees (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

### Revenue

The revenue of the Group amounted to approximately RMB472.5 million for the Year representing a decrease of approximately 38.1% from approximately RMB763.2 million of the corresponding period of last year. The decrease was mainly due to more completion of the small-scale projects and fewer completion of the large-scale projects which result in the decrease in the scale of business.

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

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Revenue</b>				
Sales of environmental protection equipment	<b>442,739</b>	<b>93</b>	744,011	97
Sales of materials	<b>29,549</b>	<b>6</b>	18,878	2
Rendering of services	<b>183</b>	<b>1</b>	276	1
Total	<b><u>472,471</u></b>	<b><u>100</u></b>	<b><u>763,165</u></b>	<b><u>100</u></b>

Revenue generated from sales of environmental protection equipment of the Group amounted to over 93% 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 sales of environmental protection equipment are related to the manufacturing, installation and sales of electrostatic precipitators.

The following table sets forth a further revenue breakdown of sales of environmental protection equipment by types of atmospheric pollution control solutions for the respective years indicated:

	<b>Year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>
<b>Environmental protection equipment</b>				
Ash removal and transfers				
– Electrostatic precipitator	<b>326,480</b>	<b>74</b>	446,681	60
– Electrostatic-bag composite precipitator	<b>10,393</b>	<b>2</b>	39,809	5
– Bag filter precipitator	<b>63,836</b>	<b>14</b>	28,751	4
– Others (e.g. Pneumatic ash conveying system)	<b>31,003</b>	<b>7</b>	46,402	6
– SO <sub>2</sub> and NO <sub>x</sub> emission reduction (desulfurisation and denitrification devices)	<b>11,027</b>	<b>3</b>	182,368	25
	<b>442,739</b>	<b>100</b>	744,011	100

The Group's revenue for the Year was mainly generated from sales of electrostatic precipitator and bag filter precipitator. During the Year, as compared with the corresponding period of last year, the revenue derived from sales of electrostatic precipitator and SO<sub>2</sub> and NO<sub>x</sub> emission reduction (desulfurisation and denitrification devices) were decreased by approximately RMB120.2 million and approximately RMB171.3 million respectively while the revenue derived from sales of bag filter precipitator was increased by approximately RMB35.1 million respectively.

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

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Revenue</b>				
Newly installed	<b>426,693</b>	<b>96</b>	721,754	97
Upgrading/modification	<b>16,046</b>	<b>4</b>	22,257	3
	<b><u>442,739</u></b>	<b><u>100</u></b>	<b><u>744,011</u></b>	<b><u>100</u></b>

#### ***Cost of sales***

The Group's costs incurred in sales of environmental protection equipment 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 RMB405.0 million for the Year representing a decrease of approximately 37.9% from approximately RMB652.2 million of the corresponding period of last year.

### ***Gross profit and gross margin***

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
Gross profit ( <i>RMB'000</i> )	<b>67,439</b>	110,990
Gross margin (%)	<b>14.3%</b>	14.5%

The Group's gross profit of the Year amounted to approximately RMB67.4 million, representing a significant decrease of approximately RMB43.6 million or approximately 39.2% as compared with approximately RMB111.0 million of the corresponding period of last year. The gross margin of the Group decreased to approximately 14.3% for the Year. The decrease was attributable to the completion of certain small-scale projects, which were with lower gross margin, during the Year.

### ***Other income and gains***

Other income and gains of the Group during the Year increased to approximately RMB120.8 million, representing a significant increase of approximately 780.8% from approximately RMB13.7 million of the corresponding period of last year. The other income and gains of the Group are mainly derived from gain on disposal of property, plant and equipment and right-of-use assets amounting to approximately RMB116.3 million.

### ***Selling and distribution expenses***

The Group's selling and distribution expenses of the Year amounted to approximately RMB15.8 million, representing an increase of approximately RMB1.7 million as compared with approximately RMB14.1 million of the corresponding period of last year. The selling and distribution expenses of the Group are mainly comprised of salaries and travelling expenses amounting to approximately RMB4.8 million and approximately RMB3.4 million respectively.

### ***Administrative expenses***

The administrative expenses of the Group for the Year amounted to approximately RMB63.3 million, representing a decrease of approximately 15.2% as compared with approximately RMB74.6 million of the corresponding period of last year, mainly due to:

- (i) the loss on disposal of investment at fair value through profit or loss in 2021 changed to gain in 2022, which decreased by approximately RMB10.2 million; and
- (ii) the research and development expenses in 2022 decreased by approximately RMB3.2 million from 2021 to approximately RMB12.2 million, mainly due to the decrease in the number of technicians employed by the Group and the related efforts in research and development during the Year.

### ***Finance costs***

The finance costs of the Year amounted to approximately RMB7.7 million, representing an increase of 19.0% as compared with approximately RMB6.4 million of the corresponding period of last year.

### ***Income tax expenses***

The Group's income tax expenses of the Year amounted to approximately RMB22.2 million, as compared with the income tax expenses approximately RMB5.1 million of the corresponding period of last year.

### ***Trade and bills receivables***

As at 31 December 2022, the trade and bills receivables of the Group were approximately RMB700.9 million, decreased by approximately RMB95.2 million as compared to approximately RMB796.1 million of the corresponding period of last year. The decrease in trade receivables before provision for loss allowance by approximately RMB105.4 million as compared with the corresponding period of the last year is mainly due to the decrease in the number of on-progress projects while the decrease in bill receivables before provision for loss allowance by approximately RMB29.1 million as compared with the corresponding period of last year is mainly due to the fact that more bill receivables are used for the settlement of trade payables during the Year.

## ***Inventories***

As at 31 December 2022, the Group experienced a decrease of inventories by approximately RMB30.1 million to approximately RMB291.3 million when compared to approximately RMB321.4 million of the corresponding period of last year. The inventories mainly consisted of steels, filter bags, electrical instruments and other components.

## ***Liquidity and capital resources***

### ***Cash and cash equivalents***

As at 31 December 2022, the cash and cash equivalents of the Group increased by approximately RMB231.6 million to approximately RMB241.0 million when compared to approximately RMB9.4 million of the corresponding period of last year, which was mainly due to:

- (i) the net cash inflow of approximately RMB215.3 million generated from investing activities of the Group in the Year, which mainly consists of the cash inflow of approximately RMB205.7 million on proceeds from disposal of property, plant and equipment and right-of-use assets;
- (ii) the net cash inflow of approximately RMB67.2 million generated from the operation of the Group in the Year; and
- (iii) the net cash outflow of approximately RMB51.5 million used in financing activities, which mainly consists of the cash outflow of approximately RMB51.5 million on proceeds from bank borrowings and repayment of bank borrowings.

### ***Indebtedness***

As at 31 December 2022, the Group incurred outstanding bank loans (excluding margin loans) of approximately RMB55.0 million.

### *Net current assets*

As at 31 December 2022, the net current assets of the Group (being the difference between total current assets and current liabilities) increased by approximately 39.8% from approximately RMB456.2 million of the corresponding period of last year to approximately RMB637.9 million for the Year.

### *Capital expenditure*

No capital expenditures of the Group were used for the purchase of property, plant and equipment in the Year.

### *Exchange risk*

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the functional currencies adopted by the units. Approximately 0% (2021: 0.2%) of its sales for the Year 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, the Group's management will constantly monitor the economic situation and the foreign exchange risk profile of the Group, and will consider appropriate hedging measures in the future should the need arise.

### *Major acquisitions and disposals*

On 7 January 2022, a wholly owned subsidiary of the Company, 浙江天潔環境工程有限公司 (Zhejiang Tianjie Environmental Engineering Company Limited\*) (“**Tianjie Environmental**”), as the purchaser entered into an agreement (the “**Agreement**”) with TGL as the vendor, pursuant to which Tianjie Environmental conditionally agreed to acquire and TGL conditionally agreed to sell the land-use rights to a state-owned land parcel (the “**Land**”) and a plant erected on the Land for the consideration of RMB25,900,000 (the “**Acquisition**”). TGL is a substantial 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 and TGL entered into a termination deed, pursuant to which they agreed to terminate the Agreement and the Acquisition was terminated. For details, please refer to the announcements of the Company dated 7 January 2022 and 14 April 2022 and the circular of the Company dated 8 February 2022.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

### ***Significant investments***

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

### ***Contingent liabilities***

The Group is neither currently involved in any material legal proceedings nor aware of any pending or potential material legal proceedings involving 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 31 December 2022, the Group did not have any material contingent liabilities or guarantees.

## **DIVIDENDS**

No dividend has been paid or declared by the Company during the years ended 31 December 2022 and 2021.

The Board has recommended the payment of a final dividend of RMB0.05 per share for the Year (2021: Nil), subject to the shareholders' approval at the 2023 annual general meeting. Such proposed dividend is expected to be payable on 28 August 2023 to the shareholders whose names appear on the register of members of the Company on 7 July 2023.

### **Holders of H Shares**

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993]045 (Guo Shui Han [2011] No.348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of the H Shares.



If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) (《非居民納稅人享受稅收協定待遇管理辦法》(國家稅務總局公告2019年第35號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

## **PROSPECTS**

In line with the new development concepts proposed by President Xi Jinping in the 20th National Congress Report, including the promotion of green development and the harmonious coexistence between mankind and nature, 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), so as to make strategic deployments for China's future construction of ecological civilization and realization of 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 20th National Congress Report and the 14th Five-Year Work Plan 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.

## **MATTERS RELATING TO THE FINANCIAL REPORT**

### **Approval of financial statements**

The audited financial statements of the Group for the Year were approved by the Board on 31 March 2023.

### **Accounting policies, accounting estimates and other auditing methods**

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

### **Material accounting error correction**

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

### **Change in the scope of consolidation**

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

## OTHER MATTERS

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

As at 31 December 2022, the interests and short positions of each of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”)), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) were as follows:

1. Long position in respect of domestic shares of the Company (“Domestic Shares”) as at 31 December 2022:

Name of Director/Chief executive	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
Mr. Bian Yu	Beneficial owner	10,253,250	10.25	7.60
	Interest in a controlled corporation ( <i>Note 1</i> )	38,475,350	38.48	28.5
Ms. Bian Shu	Beneficial owner	2,949,750	2.95	2.19
	Interest in a controlled corporation ( <i>Note 1</i> )	38,475,350	38.48	28.5
Mr. Chen Jiancheng	Beneficial owner	1,851,000	1.85	1.37
Mr. Zhang Yuanyuan	Family interest of spouse ( <i>Note 2</i> )	41,425,100	41.43	30.69

*Note:*

1. According to the disclosure of interest filings, these 38,475,350 Domestic Shares in the Company are beneficially owned by TGL which is in turn approximately 64.08% owned by Mr. Bian Yu and approximately 13.11% owned by Ms. Bian Shu. Pursuant to Part XV of the SFO, Mr. Bian Yu and Ms. Bian Shu are deemed to be interested in TGL's interest in the Company.
2. Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu's interest in the Company by virtue of the SFO.

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

According to the register of substantial shareholders (not being a director or chief executive of the Company) required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2022, the Company had been notified of the following substantial shareholders' interests and short positions. These interests are in addition to those disclosed above in respect of the directors and chief executive of the Company.

### 1. Long position in respect of Domestic Shares as at 31 December 2022:

Name	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
Changshan County Guoxi Equity Investment Co., Ltd.* (常山縣國熙股權投資有限公司) ("Guoxi Equity Investment")	Beneficial owner	37,125,000	37.13	27.5
	Person having a security interest in shares (Note 1)	2,700,000	2.7	2.0
TGL	Beneficial owner	38,475,350	38.48	28.5
Ms. Bao Guo	Family interest of spouse (Note 2)	48,728,600	48.73	36.10
Mr. Bian Jianguang	Beneficial owner	5,132,250	5.13	3.8
	Interest in a controlled corporation (Note 3)	38,475,350	38.48	28.5
Ms. Xu You	Family interest of spouse (Note 4)	43,607,600	43.61	32.30

#### Notes:

- On 13 July 2022, TGL charged 2,700,000 Domestic Shares held by it to Guoxi Equity Investment.
- Ms. Bao Guo, the spouse of Mr. Bian Yu, is deemed to be interested in Mr. Bian Yu's interests in the Company by virtue of the SFO.
- According to the disclosure of interest filings, these 38,475,350 Domestic Shares in the Company are beneficially owned by TGL which is in turn approximately 64.08% owned by Mr. Bian Yu, approximately 22.81% owned by Mr. Bian Jianguang and approximately 13.11% owned by Ms. Bian Shu. Pursuant to Part XV of the SFO, Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL's interest in the Company.
- Ms. Xu You, the spouse of Mr. Bian Jianguang, is deemed to be interested in Mr. Bian Jianguang's interests in the Company by virtue of the SFO.

2. Long position in respect of H Shares of the Company (“H Shares”) as at 31 December 2022:

Name	Capacity/ Nature of interest	Number of H Shares	Approximate % of total issued H Shares	Approximate % of Company’s share capital
Shou Erjun	Beneficial owner	6,000,000	17.14	4.44
Hong Kong Joint Financial Investment Ltd	Beneficial owner	5,504,400	15.73	4.08
Zhao Kaiyuan ( <i>Note 1</i> )	Interest in a controlled corporation	5,504,400	15.73	4.08

*Notes:*

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

### **Purchase, sale or redemption of listed securities**

From the date of listing of the shares of the Company on the Stock Exchange up to 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **Model Code for Directors’ Securities Transactions**

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

## **Corporate Governance Code**

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

## **Audit Committee**

The Group’s audit committee (“**Audit Committee**”) has reviewed the accounting principles and practices adopted by the Group, and discussed with the management the internal control and financial reporting matters. The Audit Committee also reviewed and confirmed the audited consolidated financial statements of the Group for the Year. The relevant financial information are prepared under the Hong Kong Financial Reporting Standards.

## **Events of material impact**

On 30 March 2022, the Company as the purchaser, further entered into an agreement with Haiyue Energy Group Company Limited\* (海越能源集團股份有限公司) as the vendor (the “**Vendor**”), pursuant to which the Company agreed to acquire and the Vendor agreed to sell the 5% equity interest in Zhejiang Tianjie Magnetic Materials Co., Ltd.\* (浙江天潔磁性材料股份有限公司) held by the Vendor subject to the terms and conditions of the agreement for a consideration of approximately RMB6.42 million. For details, please refer to the announcement of the Company dated 30 March 2022.

Save as disclosed above, from the end of the Year to the date of this announcement, no important events (other than those in the ordinary and usual course of business of the Company) had been occurred in a way of affecting the Company and any of its subsidiaries.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

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

## **APPRECIATION**

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the Shareholders, investors and business associates for their continuing trust in and support to the Group throughout the Year.

\* *In this announcement, the English translation of the Chinese name of certain PRC entities or title of documents in the PRC are included herein for identification purpose only. In the event of any inconsistency, the Chinese names or titles shall prevail.*

By order of the Board

**Zhejiang Tengy Environmental Technology Co., Ltd**

**ZHU Xian Bo**

*Chairman and non-executive Director*

Zhuji City, Zhejiang Province, the PRC

31 March 2023

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