

# TENGY

浙江天潔環境科技股份有限公司

Zhejiang Tengy Environmental Technology Co., Ltd

(a joint stock company incorporated in the People's Republic of China with limited liability)  
(於中華人民共和國註冊成立的股份有限公司)

Stock code 股份代號：1527

**2016**

Interim Report  
中期報告

## 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 2016 (the “**Reporting Period**”) was approximately RMB464.5 million, representing an increase of 38.9% 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 RMB58.0 million representing an increase of 155.5% when compared with that of the corresponding period of last year.
- The Board (the “**Board**”) of directors of the Company (the “**Directors**”, each a “**Director**”) does not recommend the payment of any dividend for the Reporting Period.

<sup>#</sup> For identifications only

## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	464,500	334,493
Cost of sales	(349,695)	(276,746)
Gross profit	114,805	57,747
Other income and gains	5,260	5,285
Selling and distribution expenses	(9,596)	(6,961)
Administrative expenses	(28,041)	(11,035)
Other expenses	(590)	(933)
Finance costs	(3,506)	(5,261)
PROFIT BEFORE TAX	78,332	38,842
Income tax expense	(20,308)	(16,130)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	58,024	22,712
Attributable to:		
Owners of the parent	58,024	22,712
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted (RMB)		
— For profit for the period	0.43	0.23

## Interim Condensed Consolidated Statement of Financial Position

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	41,243	42,878
Investment property	16,038	16,515
Prepaid land lease payments	11,062	11,549
Intangible assets	279	195
Deferred tax assets	22,528	18,261
Pledged deposits	10,246	17,606
Total non-current assets	101,396	107,004
<b>CURRENT ASSETS</b>		
Inventories	35,658	40,788
Gross amounts due from contract customers	723,646	703,831
Trade and bills receivables	492,167	420,875
Prepayments, deposits and other receivables	52,454	43,234
Pledged deposits	107,842	75,272
Cash and cash equivalents	139,601	209,936
Total current assets	1,551,368	1,493,936
<b>CURRENT LIABILITIES</b>		
Gross amounts due to contract customers	91,345	89,523
Trade and bills payables	432,862	431,431
Advances from customers, other payables and accruals	298,884	263,342
Interest-bearing bank borrowings	119,000	174,000
Tax payable	41,358	31,353
Total current liabilities	983,449	989,649
NET CURRENT ASSETS	567,919	504,287
TOTAL ASSETS LESS CURRENT LIABILITIES	669,315	611,291
Net Assets	669,315	611,291
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	135,000	135,000
Share premium	239,064	239,064
Reserves	295,251	237,227
Total equity	669,315	611,291

## Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent					
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve* RMB'000	Safety production reserve* RMB'000	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2016	135,000	239,064	28,072	4,862	204,293	611,291
Profit and total comprehensive income for the period	-	-	-	-	58,024	58,024
Appropriation to safety production reserve	-	-	-	290	(290)	-
At 30 June 2016 (Unaudited)	135,000	239,064	28,072	5,152	262,027	669,315
At 1 January 2015	100,000	-	18,215	4,056	118,491	240,762
Profit and total comprehensive income for the period	-	-	-	-	22,712	22,712
Appropriation to safety production reserve	-	-	-	294	(294)	-
At 30 June 2015 (Unaudited)	100,000	-	18,215	4,350	140,909	263,474

\* These reserve accounts comprise the consolidated reserves of RMB295,251,000 (31 December 2015: RMB237,227,000) in the consolidated statements of financial position.

## Interim Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:	<b>78,332</b>	38,842
Adjustments for:		
Finance costs	<b>3,506</b>	5,261
Bank interest income	<b>(1,138)</b>	(128)
Foreign exchange differences, net	<b>(1,006)</b>	(809)
Depreciation of property, plant and equipment	<b>2,208</b>	1,895
Depreciation of an investment property	<b>477</b>	477
Amortisation of prepaid land lease payments	<b>487</b>	487
Amortisation of intangible assets	<b>50</b>	10
Amortisation of prepaid rental expense	<b>1,997</b>	250
Amortisation of prepaid counsel expense	<b>218</b>	–
Impairment of inventories	<b>–</b>	351
Impairment of trade receivables	<b>1,639</b>	(1,730)
Impairment of other receivables	<b>(223)</b>	454
	<b>86,547</b>	45,360
Decrease in inventories	<b>5,130</b>	3,798
Increase in gross amounts due from/(to) contract customers	<b>(17,993)</b>	(175,674)
(Increase)/decrease in trade and bills receivables	<b>(72,931)</b>	69,150
Increase in prepayments, deposits and other receivables	<b>(9,288)</b>	(10,979)
Increase in pledged deposits — current	<b>(32,570)</b>	(25,711)
Decrease in pledged deposits — non-current	<b>7,360</b>	8,656
Increase in trade and bills payables	<b>47</b>	44,200
Increase in advances from customers, other payables and accruals	<b>36,952</b>	76,517
Cash generated from operations	<b>3,254</b>	35,317
Interest received	<b>1,138</b>	128
Interest paid	<b>(3,506)</b>	(5,261)
Income tax paid	<b>(14,570)</b>	(16,930)
Net cash flows (used in)/generated from operating activities	<b>(13,684)</b>	13,254

## Interim Condensed Consolidated Statement of Cash Flows (continued)

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(573)	(4,265)
Additions to intangible assets	(134)	(158)
Net cash flows used in investing activities	(707)	(4,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	80,000	71,000
Repayment of bank loans	(135,000)	(75,000)
Share issue expenses	(1,950)	–
Dividend paid	–	(3,000)
Net cash flows used in financing activities	(56,950)	(7,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(71,341)	1,831
Cash and cash equivalents at beginning of period	209,936	3,285
Effect of foreign exchange rate changes, net	1,006	809
CASH AND CASH EQUIVALENTS AT END OF PERIOD	139,601	5,925
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	139,601	5,925
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows	139,601	5,925

# Notes to the Interim Condensed Consolidated Financial Statements

## 1. CORPORATE AND GROUP INFORMATION

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

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

On 12 October 2015, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

In the opinion of the directors, the holding company of the Company is Tengy Group Limited<sup>#</sup> (天潔集團有限公司) ("**TGL**"), which is established in the PRC. The ultimate controlling shareholders are Bian Yu, Bian Jianguang and Bian Shu.

### 2.1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

The interim condensed consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of revised standards and new interpretation effective as of 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

<sup>#</sup> For identifications only



# Notes to the Interim Condensed Consolidated Financial Statements

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The adoption of these new and revised HKFRSs has no significant financial effect on the interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 3. OPERATING SEGMENT INFORMATION

The Group's revenue during the Reporting Period was mainly derived from the sale of environmental pollution prevention equipment. 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Mainland China	453,347	321,397
Other countries	11,153	13,096
	464,500	334,493

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.

## Notes to the Interim Condensed Consolidated Financial Statements

### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, represents an appropriate proportion of contract revenue of construction contracts and the net invoiced value of goods sold, after allowances for returns and trade discounts during the Reporting Period.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue</b>		
Construction contracts	462,780	332,393
Sale of goods	1,720	2,100
	<b>464,500</b>	334,493
<b>Other income</b>		
Bank interest income	1,138	128
Government grants	742	3,313
Gross rental income	517	542
Compensation income	285	485
Others	45	8
	<b>2,727</b>	4,476
<b>Gains</b>		
Foreign exchange gain	2,533	809
	<b>5,260</b>	5,285

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of services provided	349,061	276,226
Cost of inventories sold	634	520
Depreciation of property, plant and equipment	2,208	1,895
Depreciation of an investment property	477	477
Amortisation of prepaid land lease payments	487	487
Amortisation of intangible assets	50	10
Amortisation of prepaid rental expense	1,997	250
Amortisation of counsel expense	218	–
Research and development costs	10,267	–
Auditors' remuneration	1,155	988
Employee benefit expense (excluding directors', supervisors' and chief executive's remuneration)		
Wages and salaries	20,401	19,186
Pension scheme contributions	785	1,220
Staff welfare expenses	1,328	1,508
	22,514	21,914
Foreign exchange differences, net	(2,533)	(809)
Impairment of inventories	–	351
Impairment of trade receivables (reversal of impairment)	1,639	(1,730)
Impairment of other receivables (reversal of impairment)	(223)	454
Bank interest income	(1,138)	(128)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property	477	477

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. INCOME TAX

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

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax	24,575	11,424
Deferred tax	(4,267)	4,706
Total tax charge for the periods	20,308	16,130

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Reporting Period.

There were no potentially dilutive ordinary shares in issue during the Reporting Period and for the six months ended 30 June 2015.

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	58,024	22,712

	Number of shares Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	135,000,000	100,000,000

## Notes to the Interim Condensed Consolidated Financial Statements

### 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016 and 2015, the Group acquired assets with a cost of RMB573,000 and RMB4,265,000.

No assets were disposed of by the Group during the six months ended 30 June 2016 and 2015.

### 9. CONSTRUCTION CONTRACTS

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Gross amounts due from contract customers	723,646	703,831
Gross amounts due to contract customers	(91,345)	(89,523)
	632,301	614,308
Contract costs incurred plus recognised profits less recognised losses to date	4,652,428	4,110,398
Less: Progress billings	(4,020,127)	(3,496,090)
	632,301	614,308

The gross amounts due from contract customers for contract works included balances with the holding company of the Company as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
TGL	1,257	2,406

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	405,371	276,476
Bills receivable	99,855	155,819
	505,226	432,295
Impairment	(13,059)	(11,420)
	492,167	420,875

The Group's trading terms with its customers are payment in advance normally required from customers. Trade receivables are non-interest-bearing with no credit period. 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 and are neither past due nor impaired. As at 30 June 2016, the Group's bills receivable of RMB37,929,000 (31 December 2015: RMB69,455,000) were pledged to secure the Group's bills payable (note 12).

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

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	336,727	197,098
1 to 2 years	39,715	53,531
2 to 3 years	12,389	11,756
Over 3 years	3,481	2,671
	392,312	265,056

# Notes to the Interim Condensed Consolidated Financial Statements

## 11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	As at	
		30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and bank balances		139,601	209,936
Pledged deposits — current		107,842	75,272
Pledged deposits — non-current		10,246	17,606
		<b>257,689</b>	302,814
Less: Pledged time deposits:			
Pledged for bills payable	12	(57,444)	(31,217)
Pledged for bank guarantees		(60,644)	(61,661)
Cash and cash equivalents		<b>139,601</b>	209,936

As at 30 June 2016, cash and bank balances and pledged deposits denominated in RMB of the Group amounted to RMB208,340,000 (31 December 2015: RMB251,435,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank guarantees are performance guarantee and made for varying periods ranging from several months to four years depending on the agreement of the contract, and earn interest at the respective term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 12. TRADE AND BILLS PAYABLES

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	337,888	335,344
Bills payable	94,974	96,087
	<b>432,862</b>	431,431

The bills payable were secured by the pledge of the Group's time deposits of RMB57,444,000 (31 December 2015: RMB31,217,000) (note 11) and the Group's bills receivable of RMB37,929,000 (31 December 2015: RMB69,455,000) as at 30 June 2016 (note 10).

## Notes to the Interim Condensed Consolidated Financial Statements

### 12. TRADE AND BILLS PAYABLES (Continued)

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

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 3 months	247,910	230,582
3 to 12 months	172,028	182,316
12 to 24 months	9,340	15,757
Over 24 months	3,584	2,776
	<b>432,862</b>	431,431

Trade payables are non-interest-bearing and have an average credit term of six months.

### 13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	As at	
			30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Current</b>				
Bank loans — secured	3.95	Within 1 year	—	5,000
Bank loans — secured	5.34	Within 1 year	—	15,000
Bank loans — secured	5.36	Within 1 year	—	35,000
Bank loans — secured	5.58	Within 1 year	—	47,000
Bank loans — secured	5.87	Within 1 year	—	12,000
Bank loans — secured	5.52	Within 1 year	—	20,000
Bank loans — secured	5.00	Within 1 year	—	40,000
Bank loans — secured	5.52	Within 1 year	20,000	—
Bank loans — secured	5.00	Within 1 year	99,000	—
			<b>119,000</b>	174,000
Analysed into:				
Bank loans repayable with one year			<b>119,000</b>	174,000



# Notes to the Interim Condensed Consolidated Financial Statements

## 13. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

- (a) The Group's bank borrowings are secured by:
- (i) the Group's buildings situated in Mainland China, which had an aggregate net carrying value of RMB7,896,000 as at 30 June 2016 (31 December 2015: RMB8,371,000);
  - (ii) the Group's investment property situated in Mainland China, which had a net carrying value of RMB16,038,000 as at 30 June 2016 (31 December 2015: RMB16,515,000);
  - (iii) the Group's leasehold lands situated in Mainland China, which had an aggregate net carrying value of RMB9,905,000 as at 30 June 2016 (31 December 2015: RMB10,382,000); and
- (b) The Company's ultimate holding company, TGL, has guaranteed certain of the Group's bank loans of up to RMB66,000,000 as at 30 June 2016 (31 December 2015: RMB110,000,000).

## 14. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment property under operating lease arrangements, with lease terms of three years.

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	542	1,085
In the second to fifth years, inclusive	–	1,085
	542	2,170

# Notes to the Interim Condensed Consolidated Financial Statements

## 14. OPERATING LEASE ARRANGEMENTS (Continued)

### (b) As lessee

The Group leases certain of its plants and office properties under operating lease arrangements, with lease terms of three years.

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	3,518	4,018
In the second to fifth years, inclusive	3,518	4,018
	7,036	8,036

## 15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had no capital commitments at 30 June 2016.

## 16. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
浙江天潔通用機械有限公司 ("Tianjie General Machinery")	Fellow subsidiary
浙江天潔新材料有限公司 ("Tianjie New Materials")	Fellow subsidiary
浙江天潔特鋼有限公司 ("Tianjie Special Steel")	Fellow subsidiary
浙江天潔置業有限公司 ("Tianjie Zhiye")	Fellow subsidiary
浙江天潔磁性材料股份有限公司 ("Tianjie Cixingcailiao")	Joint venture of the holding company
江西晨宇鋁業有限公司 ("Chenyu Lvye")	Fellow subsidiary
浙江奇諾機械有限公司 ("Zhejiang Qينو")(i)	Fellow subsidiary
諸暨市遠騰物流有限公司 ("Yuanteng Logistics")	Directors' close family members are beneficial equity holders
浙江遠騰實業集團有限公司 ("Yuanteng Shiye")	Directors' close family members are beneficial equity holders
諸暨市天宇實業投資有限公司 ("Tianyu Industry")	Fellow subsidiary
諸暨市潤天物業管理有限公司 ("Zhuji Runtian")	Fellow subsidiary
Bian Jianguang	Director
Wang Xiaoxia	Spouse of a key management

Note:

- (i) Zhejiang Qينو was renamed from 浙江嘉盛新材料有限公司 to 浙江奇諾機械有限公司 in 2016.

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Reporting Period:

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Transactions with the holding company			
Rental expense	(i)	1,759	1,759
Electric charges paid by the holding company on behalf of the Group	(ii)	1,908	1,760
Transaction with other related parties			
Sales of materials:			
Tianjie Special Steel	(iii)	498	830
Purchases of materials:			
Tianjie General Machinery	(iii)	322	771
Yuanteng Shiye	(iii)	–	317
Provision of services:			
Tianjie Cixingcailliao	(iv)	22	–
Services received:			
Tianjie General Machinery	(v)	5,099	4,859
Yuanteng Logistics	(v)	–	74
Rental income:			
Tianjie New Materials	(i)	517	542
Rental expense:			
Zhejiang Qinuo	(i)	167	250
Payments by related parties on behalf of the Group:			
Zhejiang Qinuo	(ii)	206	317

Notes:

- (i) The rental fee was charged and the rental income was received based on mutually agreed prices.
- (ii) The payments were made on behalf of the Group based on the actual costs incurred.
- (iii) The sales of materials to the related parties and purchases of materials from the related parties were made based on mutually agreed prices and terms.
- (iv) The provision of construction services and processing services to the related parties was made based on mutually agreed prices and terms.
- (v) The services received from the related parties were based on mutually agreed prices and terms.

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. RELATED PARTY TRANSACTIONS *(Continued)*

#### **(b) Other transactions with related parties:**

- (1) TGL has guaranteed certain of the Group's bank loans of up to RMB66,000,000 as at 30 June 2016 (31 December 2015: RMB110,000,000).

#### **(c) Commitments with related parties:**

- (1) On 25 April 2015, the Company, as lessor, entered into a three-year tenancy agreement ending 31 December 2017 with Tianjie New Materials, as lessee. The amount of total rental income from Tianjie New Materials for the Reporting Period is included in note 16(a) to the financial statements. The Group terminated the tenancy agreement with Tianjie New Materials on 1 July 2016.
- (2) On 25 April 2015, the Company, as lessee, entered into a three-year tenancy agreement ending 31 December 2017 with Zhejiang Qinuo, as lessor. The amount of total rental payable to Zhejiang Qinuo for the Reporting Period is included in note 16(a) to the financial statements. The Group terminated the tenancy agreement with Zhejiang Qinuo on 1 May 2016.
- (3) On 25 April 2015, the Company, as lessee, entered into two three-year tenancy agreements ending 31 December 2017 with TGL, as lessor. The amount of total rental payable to TGL for the Reporting Period is included in note 16(a) to the financial statements. The Group expects total rental payable to TGL in 2016 and 2017 to be approximately RMB3,518,000 and RMB3,518,000, respectively.
- (4) On 25 April 2015, the Company entered into a three-year power supply agreement ending on 31 December 2017 with TGL. Pursuant to the agreement, TGL agreed to procure supply of electricity to the Company. The amount of total electric charges payable to TGL for the Reporting Period is included in note 16(a). The annual cap of the electricity charge to be paid to TGL in 2016 and 2017 is RMB3,800,000 and RMB3,800,000, respectively.
- (5) On 25 April 2015, the Company entered into a three-year processing service agreement ending 31 December 2017 with Tianjie General Machinery. The total processing services fee payable to Tianjie General Machinery for the Reporting Period is included in note 16(a). The annual cap of the processing service fees to be paid to Tianjie General Machinery in 2016 and 2017 is RMB15,000,000 and RMB15,000,000, respectively.

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. RELATED PARTY TRANSACTIONS (Continued)

#### (d) Outstanding balances with related parties:

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Due from the holding company:			
TGL	(i)	–	1,924
Due from related companies:			
Zhejiang Qينو	(i)	–	333
Tianjie New Materials	(i)	542	–
Tengy Cixingcailiao	(i)	26	–
Tianjie Special Steel	(i)	583	–
		1,151	333
Due to the holding company:			
TGL	(i)	4,147	2,916
Due to related companies:			
Yuanteng Shiye	(i)	371	371
Tianjie General Machinery	(i)	2,087	1,288
Zhejiang Qينو	(i)	39	–
Chenyu Lvye	(i)	228	228
		2,725	1,887

Note:

(i) These balances were unsecured, interest-free and had no fixed terms of repayment.

#### (e) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Short term employee benefits	1,615	1,287
Pension scheme contributions	65	65
Total compensation paid to key management personnel	1,680	1,352

## Notes to the Interim Condensed Consolidated Financial Statements

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the financial controller. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

#### **Fair value hierarchy**

##### *Assets and liabilities measured at fair value:*

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2016 (31 December 2015: Nil).

##### *Assets and liabilities for which fair values are disclosed:*

The Group did not have any financial assets and financial liabilities disclosed at fair value as at 30 June 2016 (31 December 2015: Nil).

# Management Discussion and Analysis

## INTRODUCTION

### Our Group

Leveraging around 19 years of industry experience and continual innovation in industrial technologies, we are 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. Precipitators are air-cleaning devices designed to trap and remove particulate matters from the exhaust gas stream of an industrial process. They are widely installed at coal-fired power plants, metallurgical plants, paper mills and other industrial production plants. As such, our customers may be the project owners of power plants and industrial production plants, or contractors who undertake the construction work of power plants and industrial production plants.

### Our Products

We mainly offer three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators. The majority of precipitators we offered during the Reporting Period were electrostatic precipitators, which accounted for approximately 74.8% of our revenue from the segment of construction contracts for the Reporting Period (84.8% for the six months ended 30 June 2015).

To capture business opportunities arising from the fast-growing atmospheric pollution control industry in the PRC, we, leveraging our experience and expertise in particulate control, started to offer desulfurisation and denitrification solutions to our customers in 2003 and second half of 2013, respectively.

### Our Projects

We offer tailor-made atmospheric pollution control solutions to our customers on a project basis, which generally comprise engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance.

Our product specifications and scope of services are customised and made-to-order in accordance with the specific technical requirements of our customers. Depending on the specifications and technical requirements of our customers, we may provide atmospheric pollution control devices, comprising precipitators, desulfurisation system and/or denitrification system, either on an integrated basis or a standalone basis. Our atmospheric pollution control solutions are offered to new installation projects as well as upgrading or modification projects.

### Domestic Market

We believe that we have benefited, and will continue to benefit, from the synergies created through our customers' satisfaction and broader market recognition of our brand, which have helped increase our opportunities and ability of securing project bids. Additionally, with our industry qualifications and track record in successfully completing projects for state-owned power plants in the PRC, we believe we have reinforced our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider, which enable us to draw on their support for new installation and upgrading or modification projects. Project owners, particularly the state-owned power generation enterprises, generally adopt the most economically advantageous tender approach which takes both technical merit and price into consideration in tender assessment, instead of adopting the lowest price approach. Therefore, leveraging our industry experience, we believe we have advantages over new entrants in project bidding in the PRC market.



# Management Discussion and Analysis

## International Markets

Leveraging our extensive experience in the PRC market, we have expanded into international markets since 2005 through undertaking projects by contracting with PRC subsidiaries of overseas enterprises, including overseas environmental engineering enterprises. This allows our atmospheric pollution control solutions be applied in foreign countries such as Vietnam, South Korea, Thailand, Indonesia, India, Chile, Panama and Russia. Export sales accounted for approximately 2.4% of our total revenue for the Reporting Period (3.9% for the six months ended 30 June 2015). The aforesaid sales information is based on the locations of the customers.

## OVERVIEW

We continue our success in the first half of 2016 built on 2015 which was a year of significance for the Group. Leveraging years of industry experience and continual innovation 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. The Group generates our revenue primarily from project construction and sales of goods. Project construction represented tailor-made and integrated atmospheric pollution control solutions offered by the Group to our customers, comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance to our customers on a project basis. The Group mainly offers three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators. Our sales of goods represented sales of materials, including raw materials, spare parts and components and scrap materials to related parties or independent third parties.

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

## BUSINESS REVIEW

The PRC is currently the world's second largest economy. While the economic growth has slowed down in recent years, the growth rate is still among the highest in the world. The sustained increase in demand for energy and electricity in the PRC as a result of the fast economic growth has nonetheless been promoted at the expense of atmospheric environment and air quality. Last year, due to severe atmospheric pollution problems in Beijing and Hebei Province, some schools even suspended classes. Therefore, the PRC Government continues to strengthen its efforts in environmental protection by implementing more stringent environmental protection policies.

The New Environmental Protection Law was officially implemented in the PRC on 1 January 2015. Besides, with the approval of the New Law of the Prevention and Control of Atmospheric Pollution by The Standing Committee of the National People's Congress in August 2015 for the official implementation from January 2016 onwards together with the increasing governmental and public awareness of environmental protection in the PRC, the Group believes that there will be a vast investment demand for environmental protection in the coming years. The increasingly stringent environmental protection regulations also promote the rapid development of the environmental protection industry, particularly the industry of operations and maintenance services for atmospheric pollution control facilities. It is anticipated that there will be exponential growth in atmospheric pollution control equipment market in the coming several years. Therefore, as a leading integrated atmospheric pollution control solution provider in the industry, the Group believes that we can continue to be benefited from the aforementioned policies in order to capture new business and investment opportunities.



## Management Discussion and Analysis

The Group believes that we have benefitted from and will continue to benefit from the synergic effects brought about by customers' satisfaction and broader market recognition of our brand in such a way of increasing our opportunity and capability to succeed in the bidding of new projects. Additionally, with the Group's industry qualifications and track record of successfully completing projects for state-owned power plants in the PRC, the Group believes that our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider enables the Group to become more competitive over new entrants in project bidding.

On 12 October 2015, the Company was officially listed on the Stock Exchange, which marked a milestone for the Group in terms of enhancement of capital, corporate governance and competitive edge.

For the Reporting Period, total revenue and profit of the Group amounted to approximately RMB464.5 million and RMB58.0 million respectively. During the Reporting Period, the Group's gross profit amounted to RMB114.8 million, representing an increase of 99.0% as compared with RMB57.7 million for the same period of 2015; and the gross margin increased by 7.4% from the same period of 2015 to 24.7%.

For the Reporting Period, the value of the Group's new contracts (which represents the aggregate value of the contracts we entered into during a specified period) was approximately RMB877.1 million. As at 30 June 2016, 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 RMB1,779.5 million.

The Group's profit before tax for the Reporting Period amounted to RMB78.3 million and profits attributable to owners of the parent grew to RMB58.0 million, representing an increase of 101.8% and 155.5% respectively when compared to the same period of 2015. The aforesaid growth is mainly generated from the increase in our operation income of 38.9% to RMB464.5 million for the Reporting Period.

At the time of raising the amount of product sales, the Group spent great effort to enhance cost management to make our products and solutions more cost competitive. The atmospheric pollution control solutions offered by our Group mainly comprise the atmospheric pollution control devices designed and manufactured on our own. The Group possesses the qualifications and expertise in manufacture and supply of the key atmospheric pollution control system of the projects undertaken by us 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.

Based on the strong design and engineering capabilities, the Group primarily provides comprehensive atmospheric pollution control solutions to our customers. We offer a wide range of models of electrostatic precipitators which support electricity generators with capacity spanning from 6.25MW to over 1000MW. The Group is one of the few manufacturers in the PRC which provides electrostatic precipitators for single generator unit with capacity of 1,000MW or above.

As at 30 June 2016, the Group had a total of 642 full-time employees (As at 31 December 2015: 634). The remuneration payable to the Group's employees includes basic wages, bonuses and other staff benefit. The Group conducts periodic performance reviews for our employees and determine their remuneration based on factors including qualifications, contributions, years of experience and performance.

# Management Discussion and Analysis

## FINANCIAL REVIEW

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

### Revenue

The Group's unaudited revenue for the Reporting Period was approximately RMB464.5 million, representing an increase of approximately 38.9% from approximately RMB334.5 million for the corresponding period of 2015. The aforesaid increase was mainly attributed to, among other things, (1) further enhancement of the bargaining power of the Company over its projects due to the significant increase in market recognition and competitiveness after the listing of the Company on the Main Board of the Stock Exchange; (2) the Company's capability of undertaking more technically demanding projects and larger projects owing to its unremitting efforts in technological research and development.

### Cost of Sales

The unaudited cost of sales for the Reporting Period was approximately RMB349.7 million, representing an increase of approximately 26.4% from approximately RMB276.7 million for the corresponding period of 2015. The Company's cost of sales, mainly consisting of costs for raw materials, in which iron and steel were the major raw materials. During the Reporting Period, the cost for raw materials accounted for 71.7% of the total cost of sales. Due to excess capacity of the iron and steel industry and the continuously significant downward trend of the prices of iron and steel during recent years, the Company controlled the procurement prices of steel at reasonably low level during the first half of 2016 by optimising steel supply structure and reasonably managing inventory on the basis of the production demand.

### Gross Margin

The unaudited gross profit margin for the Reporting Period was approximately 24.7%, representing an increase of approximately 7.4% from approximately 17.3% for the corresponding period of 2015.

### Profit attributable to owners of the parent

The unaudited profit attributable to the owners of the parent for the Reporting Period was approximately RMB58.0 million, representing an increase of 155.5% from approximately RMB22.7 million for the corresponding period of 2015. Weighted average earnings per share amounted to RMB43 cents for the Reporting Period.

## WORKING CAPITAL

As at 30 June 2016, the Group's working capital (current assets less current liabilities) amounted to approximately RMB567.9 million (31 December 2015: approximately RMB504.3 million).

### Gearing Ratio

As of 30 June 2016, the Group's gearing ratio<sup>1</sup> was approximately -3.1% (31 December 2015: approximately -5.9%).

<sup>1</sup> Gearing ratio = (total bank loan — cash and cash equivalents)/total equity x 100%

# Management Discussion and Analysis

## Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 2.5% and 3.6% of the Group's sales for the period ended 30 June 2016 and 2015, 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 constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

## INTERIM DIVIDEND

The Directors do not propose to declare an interim dividend for the Reporting Period (six months ended 30 June 2015: Nil).

## MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2016, the Group was not involved in any material litigation or arbitration.

## MATERIAL ACQUISITION AND DISPOSAL

As at 30 June 2016, the Group was not involved in any material acquisition and disposal.

## PROSPECT

Atmospheric pollution has become a serious problem in China and other developing countries, which has posed a serious threat to national public health. Such problem has been considered a by-product of China's economic takeoff in the past few decades, attracting much attention from the national government and citizens. In 74 major cities in the PRC, the air quality in 90% of the cities fail to meet the standards. Given that the PRC Government is increasingly concerned about the environment, it is expected that the rigid societal demand for air pollution control equipment and integrated solutions business in the second half-year of 2016 will be higher than the first half-year. To this end, the Company's main work focuses in the second half of 2016 are as follows:

1. To further strengthen the Company's standardised management, deepen the construction and implementation of internal control systems, strengthen safety production management to ensure stable operation of the production and installation business.
2. To strengthen marketing efforts, and in view of the Company's history of operating track record and experience in the paper making, building materials, iron and steel and non-ferrous metal smelting industry superior to the comparable companies and its expertise and good reputation in coal-fired power generation industry, we expect that the investment and expansion in the air pollution control equipment by relevant industries will bring about good development opportunities for its business development for an extended period in the future.
3. To further improve the gross margin by focusing on (1) the quality projects and quality customer selection, paying special attention to pricing terms and customer reputation; and (2) constantly making cost control, lowering the procurement costs for raw materials and improving labour productivity.

## Management Discussion and Analysis

4. To expand production capacity through completion of new production facilities and production organisation in Turpan City, Xinjiang Uyghur Autonomous Region as soon as possible. In addition to hardware construction such as land, plants, equipment, etc., to obtain the administrative permission necessary for the production, recruit qualified staff to conduct training, and pass the competition for the positions to ensure the steady improvement of new capacity.
5. To continue to increase the investment in research and development, enhance technological innovation, organise an air pollution control and design institute based on the existing design and development team, introduce research and development personnel in coordination with excellent domestic and international industry research institutions, and increase research and development facilities, such that the research and development capabilities of the Company could be fully enhanced.
6. To actively expand financing channels to fund the Company's scale development, and to meet the tremendous growth of the market.

# Details Regarding Directors and Supervisors

## BOARD OF DIRECTORS

Our Board currently consists of nine members, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The powers and duties of the Board include convening meetings of our Company's Shareholders (the "**Shareholders**") and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the articles of association of the Company ("**Articles of Association**"). Each of the Directors has entered into a service contract/letter of appointment with our Group.

### Executive Directors

**Mr. BIAN Yu (邊宇)**, aged 33, is the chairman of the Board and an executive Director. He was appointed as a Director and the chairman of the Board on 28 December 2009. Mr. Bian Yu has over ten years of experience in the business of provision of atmospheric pollution control solutions. Mr. Bian Yu has also been the executive director of our subsidiaries including Zhuji City Tianjie Electronic and Technology Co., Ltd.# (諸暨市天潔電子科技有限公司), Zhuji City Tianjie Installation Engineering Co., Ltd.# (諸暨市天潔安裝工程有限公司) and Turpan Environmental Technology Co., Ltd.# (吐魯番天潔環境科技有限公司) since June 2009, March 2008 and July 2013 respectively.

Mr. Bian Yu has worked as a director of TGL since August 2003. He is responsible for the overall strategies, planning and business development of TGL. Particularly, he focuses on the management of the business of the provision of atmospheric pollution control solutions carried on by TGL prior to the establishment of our Company in December 2009. From September 2005 to December 2007, he served in various positions such as general commander and general manager in different departments in the subsidiaries of TGL such as Zhejiang Tianjie Special Steel Co., Ltd.# (浙江天潔特鋼有限公司) ("**Tianjie Special Steel**"), Zhejiang Tianjie New Materials Co., Ltd.# (浙江天潔新材料有限公司) ("**Tianjie New Materials**") and Zhejiang Tianjie Magnetic Materials Co., Ltd.# (浙江天潔磁性材料股份有限公司) which were principally engaged in manufacturing, processing and marketing of steel blade and he was mainly responsible for the overall operation and production management.

He worked as a director in various companies such as Zhejiang Tianjie General Machinery Co., Ltd.# (浙江天潔通用機械有限公司) ("**Tianjie General Machinery**") (being principally engaged in manufacturing and marketing of machinery and parts) since April 2008, Shanghai Tianjie Metal Material Co., Ltd.# (上海天潔金屬材料有限公司) (being principally engaged in sale of metal materials, construction materials and chemical raw materials) from July 2010 to October 2012, Shanghai Guotuo Mining Investments Limited# (上海國拓礦業投資有限公司) (being principally engaged in management and exploration of mines and development of mining technology) from July 2010 to May 2015, Zhuji Tengy Small Loan Co. Ltd.# (諸暨市天潔小額貸款有限公司) (being principally engaged in providing small loan and financial consultancy service in Zhuji City) since June 2011, and as chairman of the board of Zhuji City Tianyu Industry Investment Ltd.# (諸暨市天宇實業投資有限公司) (being principally engaged in real estate development and property investment) since November 2010 and of Zhuji City Runtian Property Management Ltd.# (諸暨市潤天物業管理有限公司) (being principally engaged in property management) since September 2011. He was mainly responsible for giving advice on operation and business strategy to the foregoing entities.

Mr. Bian Yu is currently the standing council member (常務理事) of the second Council of Zhejiang Association of Equipment Industries for Environmental Protection (浙江省環保裝備行業協會第二屆理事會). He has also been the deputy officer member# (副主任委員) of the sixth Electrostatic Precipitator Committee of The Environmental Protection Industry# (中國環境保護產業協會電除塵委員會第六屆電除塵委員會) since February 2014.



## Details Regarding Directors and Supervisors

Mr. Bian Yu graduated with a bachelor's degree in mechanical engineering and automation from Zhejiang University (浙江大學) in June 2005. He obtained his master of science degree in corporate and international finance from University of Durham in the United Kingdom in January 2008. He is the son of Mr. Bian Jianguang, the brother of Ms. Bian Shu, and the brother-in-law of Mr. Zhang Yuanyuan.

Mr. Bian Yu is a member of the family comprising Mr. Bian Jianguang, Ms. Bian Shu and himself ("**Bian Family**") and the Bian Family is a controlling Shareholder of the Company ("**Controlling Shareholder**") pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

**Mr. BIAN Weican (邊偉燦)**, aged 55, is an executive Director appointed on 28 December 2009. Mr. Bian Weican has over 20 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Bian Weican worked as a worker of Zhuji County Mechanical Model Plant# (諸暨縣機械模型廠) (being principally engaged in the processing and production of machinery mould) from February 1982 to January 1985 in which he was responsible for manufacturing machinery mould. He worked as the supply procurement manager of Zhuji County Cement Machinery Plant# (諸暨縣水泥機械廠) (being principally engaged in the production and sale of cement machinery equipment) from February 1985 to June 1989 in which he was responsible for the procuring of raw materials. From July 1989 to May 1995, he worked as the supply procurement manager of Zhejiang Zhuji City Industrial Environmental Protection Equipment Factory# (浙江省諸暨市工業環保設備總廠) which was principally engaged in the production and marketing of industrial environmental protection equipment and he was responsible for the procuring of raw materials. He worked as the director of the material procuring department of TGL from June 1995 to August 2013 in which he was responsible for the materials procurement planning and management of suppliers.

Mr. Bian Weican graduated from Zhuji County Tongshan Community High School (諸暨縣同山人民公社中心學校) in Zhejiang Province in July 1976.

**Ms. BIAN Shu (邊姝)**, aged 34, is an executive Director and the deputy manager of the administration department of our Company. She was appointed as a Director on 1 June 2016, and has served as the deputy manager of the administration department of our Company since September 2014. Previously, Ms. Bian Shu worked as the manager of the personnel department of TGL from February 2006 to January 2010 and was responsible for the human resources management and administration work of TGL. She worked as the chief financial officer of TGL between February 2010 to December 2011 and was responsible for accounting matters and financial planning and management. Ms. Bian Shu served as the vice president of TGL from December 2011 to August 2014, and was responsible for day-to-day operations and management and to deputise the president when necessary. Furthermore, she served as the chairman of the supervisory committee of our Company ("**Supervisory Committee**", each member thereof being "**Supervisor**") from 28 December 2009 to 31 May 2016 and as the employee representative Supervisor from 10 May 2014 to 31 May 2016, and was primarily responsible for supervising and overseeing the performance of the Directors and other senior management members of the Company.

Ms. Bian Shu holds a bachelor's degree of philosophy from the Zhejiang University in June 2003. She holds a master degree of international business from the University of Sydney in October 2006. She is the spouse of Mr. Zhang Yuanyuan, the sister of Mr. Bian Yu and the daughter of Mr. Bian Jianguang.

Ms. Bian Shu is a member of the Bian Family and the Bian Family is a Controlling Shareholder.

## Details Regarding Directors and Supervisors

### Non-executive Directors

**Mr. BIAN Jianguang (邊建光)**, aged 61, is the vice chairman of the Board and a non-executive Director. He was appointed as the vice chairman of the Board on 28 December 2009. Mr. Bian Jianguang has approximately 25 years of experience in the business of the provision of atmospheric pollution control solutions.

Mr. Bian Jianguang worked as the factory director of Zhuji County Mechanical Model Plant<sup>#</sup> (諸暨縣機械模型廠) (being principally engaged in the processing and production of machinery mould) from February 1982 to January 1985 in which he was responsible for the overall management and business operation. From February 1985 to June 1989, he worked as the factory director of Zhuji County Cement Machinery Plant<sup>#</sup> (諸暨縣水泥機械廠) which was principally engaged in the production and sale of cement machinery equipment, and he was responsible for overall management and business operation. He worked as the factory director of Zhejiang Zhuji City Industrial Environmental Protection Equipment Factory<sup>#</sup> (浙江省諸暨市工業環保設備總廠) (being principally engaged in the production and marketing of industrial environmental protection equipment) from July 1989 to May 1995 in which he was responsible for the overall management and business operation. From June 1995 to August 2003, he served as the chairman of the board of directors and the executive director of TGL and he later resigned as chairman of the board of directors and have been serving as vice chairman of the board of directors of TGL since August 2003 responsible for the overall management and business operation of TGL. He worked as the director of Tianjie General Machinery (being principally engaged in the manufacturing and marketing of machinery and parts) from November 1999 to April 2008 in which he was responsible for its overall management and business operation.

Mr. Bian Jianguang has been working as the general manager of Tianjie New Materials (principally engaged in manufacturing, processing and marketing of steel blade) since August 1997, Tianjie General Machinery (being principally engaged in manufacturing and marketing of machinery and parts) from November 1999 to January 2005, as an executive director for various companies such as Tianjie Special Steel (principally engaged in manufacturing, processing and marketing of steel blade) since March 2006, Zhuji City Tianjie Heavy Machines Limited<sup>#</sup> (諸暨市天潔重工機械有限公司) (being principally engaged in research, design and development of heavy machines) since October 2008, Akesu Xintian Technology Limited<sup>#</sup> (阿克蘇新天科技有限公司) (being principally engaged in raw iron and sponge iron related business) since October 2011, and he is mainly responsible for day to day operation and management, and overall business management in these companies.

Mr. Bian Jianguang once served as the chairman and legal representative of Chongqing Tianjie Industry Co Ltd<sup>#</sup> (重慶天潔實業有限公司), a company incorporated in the PRC. Its business scope includes sales of construction and decoration materials. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 30 March 2005. According to Mr. Bian Jianguang, the said company was solvent and dormant at the time of it being revoked and the revocation of the said company has not resulted in any liability or obligation imposed against him.

Mr. Bian Jianguang is the father of Mr. Bian Yu and Ms. Bian Shu, and the father-in-law of Mr. Zhang Yuanyuan. Mr. Bian Jianguang is a member of the Bian Family and the Bian Family is a Controlling Shareholder.

**Mr. ZHANG Yuanyuan (章袁遠)**, aged 35, is a non-executive Director appointed on 28 December 2009. He has approximately five years of experience in the business of the provision of atmospheric pollution control solutions.

## Details Regarding Directors and Supervisors

From May 2007 to January 2009, Mr. Zhang Yuanyuan worked as the general manager of Jiangxi Chenyu Aluminium Industry Ltd.# (江西晨宇鋁業有限公司) which was principally engaged in the non-ferrous metals processing, production, marketing and trading of machineries and components, metal products and components, metal doors and windows and electrical products, and he was responsible for its overall operation and management. He has been working as the director of Zhejiang Tianjie New Energy Co., Ltd. (being principally engaged in wind power generation and solar power generation) since May 2008 and was responsible for giving advice on operation strategy, attending board meeting and evaluation of business operation and development strategy. He has been working as the president of TGL since January 2009 and is responsible for the overall management and business operation of TGL. He is currently the vice chairman of Shanghai Aluminum Trade Association (上海鋁業行業協會).

Mr. Zhang Yuanyuan holds a bachelor's degree of applied physics from the Tongji University (同濟大學) in July 2003. He holds a master degree of engineering management from the University of Technology, Sydney in Australia in July 2007. He is the spouse of Ms. Bian Shu, the brother-in-law of Mr. Bian Yu and the son-in-law of Mr. Bian Jianguang. Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang are members of the Bian Family and the Bian Family is a Controlling Shareholder.

**Ms. ZHU Hong (朱紅)**, aged 40, is a non-executive Director appointed on 1 June 2016. She is the chairman of the board of directors of each of Kylin Investment Management Co., Ltd.# (凱銀投資管理有限公司) and Kylin International (HK) Co., Ltd. She has been the vice president of Dothink Holding Group Co., Ltd.# (德信控股集團有限公司) since 2006. Ms. Zhu Hong has over ten years of experience in the financial industry and possesses extensive experiences in investment and asset management.

Ms. Zhu Hong worked as the financial manager and Youth League secretary of Hangzhou Bao Gang Steel Materials Delivery Company Limited# (杭州寶鋼鋼材配送有限公司) from 1998 to 2006, the head of the finance department of Shanghai Xindu Trading Co., Ltd.# (上海新都貿易實業公司) from 1995 to 1998, the financial manager of Hangzhou Fashion Co., Ltd.# (杭州宏益時裝有限公司) from June 1995 to September 1995 and the accountant of Zhejiang Xinlian Co., Ltd.# (浙江信聯股份有限公司) from 1993 to 1995.

Ms. Zhu Hong was appointed as a council member# (理事) of Zhejiang Foreign Investment Enterprises Association# (浙江省境外投資企業協會) in July 2014, and the executive member# (執行主任委員) of the Urbanisation Fund Professional Committee under the Association of Equity Investments of Zhejiang Province# (浙江省股權投資協會城鎮化基金專業委員會) in July 2014. She was also awarded the title of "Outstanding Person on Finance in Zhejiang Province for the Year 2011"# (2011年度浙江金融功勳人物)" and "Top-ten Business Leaders on Finance and Investment in Zhejiang Province for the Year 2014"# (2014年度浙江金融投資十大領軍人物)".

Ms. Zhu Hong graduated from Zhejiang University of Finance & Economics with a bachelor's degree in accounting in 1995 and obtained an Executive Master of Business Administration from Zhejiang University in 2014.



## Details Regarding Directors and Supervisors

### Independent Non-executive Directors

**Ms. TAM Hon Shan Celia (譚漢珊)**, aged 44, is an independent non-executive Director and joined our Group on 15 September 2014 when she was appointed as an independent non-executive Director. She has approximately 20 years of experience in the accounting and finance field.

Ms. Tam Hon Shan Celia joined 91 Wireless Websoft Limited, a wholly-owned subsidiary of Baidu Inc. (which is a company listed on NASDAQ (NASDAQ: BIDU) and principally engaged in high technology online services development and expansion), as the vice president, chief financial officer and company secretary and was responsible for management of the finance department, legal department, government relations department, human resources department and administration department from January 2011 to February 2015. From April 2007 to September 2013, she was the head of compliance and corporate affairs of NetDragon Websoft (Hong Kong) Limited and the company secretary and authorised representative of NetDragon Websoft Inc., a company listed on the Main Board of the Stock Exchange (stock code: 777) and principally engaged in online games development and operations which was transferred from the Growth Enterprise Market operated by the Stock Exchange (stock code: 8288) on 23 June 2008, responsible for mergers and acquisitions and corporate finance projects. From August 2004 to March 2007, she worked as the finance manager of Heal Force Development Limited (being principally engaged in the distribution of medical and biochemical instrument) and subsequently became the group finance manager of Heal Force Development Limited in which she was responsible for the management of the group finance department. From November 2000 to October 2003, she worked as a financial accountant and subsequently as the finance and administration manager of Infoserve Technology Hong Kong Ltd which was principally engaged in electronic technology development, and she was responsible for the management of finance, administration and human resources matters. She worked as the senior accountant of World Pioneer Ltd. (being principally engaged in medicine research, development and production) from June 1999 to November 2000 in which she was responsible for its financial and administrative functions. She worked as an accountant of Baker Norton Asia Ltd. (being principally engaged in medicine development and production) from October 1997 to May 1999 in which she was responsible for financial matters. She worked as an accountant of Draft Worldwide Ltd (principally engaged in advertisement) from August 1994 to October 1997 in which she was responsible for managing financial matters. She has been a member of the Association of Chartered Certified Accountants since May 2000, and also a member of the Hong Kong Institute of Certified Public Accountants since April 2002.

Ms. Tam Hon Shau Celia graduated from University of Lincolnshire and Humberside with a bachelor's degree in business accounting in April 2000.

## Details Regarding Directors and Supervisors

**Mr. ZHANG Bing (張炳)**, aged 34, is an independent non-executive Director appointed on 15 September 2014. Mr. Zhang Bing has approximately six years of experience in the field of environmental planning.

Mr. Zhang Bing worked as a lecturer in the School of Environment, Nanjing University (南京大學環境學院) in December 2008 in which he was responsible for teaching and conducting research. He was promoted to an associate professor and assumed the said role from December 2010 to December 2013 in which he was responsible for teaching, conducting research and personnel training, and he later became a professor and has been working since December 2013 in which he is responsible for teaching, conducting research and supervising doctoral students. Mr. Zhang Bing has been the director of the Center for Environmental Management and Policy of Jiangsu Environmental Protection Department of Nanjing University (南京大學-江蘇省環保廳環境管理與政策研究中心) since November 2013 in which he is responsible for conducting research on environmental management and policy and carrying out construction management work.

Mr. Zhang Bing was a committee member and the deputy secretary of the second committee of the Society for Environmental Economics of the Chinese Society for Environmental Sciences (中國環境科學學會環境經濟學分會) from October 2008 to September 2012 and has been the director of Chinese Society of Optimisation, Overall Planning and Economical Mathematics, Energy Economics and Management# (中國優選法統籌法與經濟數學研究會能源經濟與管理研究分會) since November 2012.

Mr. Zhang Bing obtained the Scientific and Technological Progress Award (Second Class)# (科學技術進步二等獎) from the Ministry of Education of the PRC (中華人民共和國教育部) in January 2010, the Eighth Young Scientist Award of the Chinese Society for Environmental Sciences# (第八屆中國環境科學學會青年科技獎) in December 2012 from the Society of Environmental Science of the PRC (中國環境科學學會) and the Environmental Protection and Scientific Award (First Class)# (環境保護科學技術進步獎一等獎) from the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) in December 2012.

Mr. Zhang Bing obtained a bachelor's degree in environmental planning from Nanjing University in June 2003 and a doctorate degree in environmental planning and management from Nanjing University in December 2008.

**Mr. JIANG Yan (姜晏)**, aged 41, is an independent non-executive Director appointed on 1 June 2016 and with nearly 20 years of experience in auditing, Merger and acquisition ("M&A") transactions, due diligence and tax consultancy in the PRC. He has provided consultancy services on auditing and M&A transactions for various state-owned enterprises of which shares are listed on stock exchanges in the PRC and/or on the Hong Kong Stock Exchange. From July 1998 to December 2000, he served as the operations assistant, project manager and department manager of Hangzhou Gongshu Tax Agent Co., Ltd.# (杭州拱墅稅務師事務所), primarily providing foreign investment clients with tax consultancy services on import-export as well as general business activities. From January 2001 to August 2004, he served as a manager of Zhejiang Xinghe Certified Public Accountants Co., Ltd.# (浙江興合會計師事務所有限公司), being the project manager on a number of projects responsible for providing auditing, M&A due diligence and tax consultancy services. In September 2004, he was the founder of Hangzhou Mingde Certified Public Accountants Co., Ltd.# (杭州明德會計師事務所有限公司), in which he served as a partner primarily responsible for providing clients with M&A financial due diligence and tax consultancy services. In December 2011, he joined Zhejiang Puhua Certified Public Accountants Co., Ltd.# (浙江普華會計師事務所有限公司) as a partner primarily responsible for the in-house technical consultancy and quality reassurance of the Company. In July 2015, he joined the Hangzhou office of China Tax Advisory Company Group, an institutional alliance on professional consultancy services with regards to comprehensive aspects of finance, taxation and business consultancy, as the managing partner responsible for matters such as the management of the team of consultants in Hangzhou as well as client development. He was an independent director of Meidu Energy Co., Ltd.# (美都能源股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600175), during 2008 and 2014 as well as a member to the audit committee and remuneration committee thereof, participating in the formulation of material strategies and the annual audit arrangements.

## Details Regarding Directors and Supervisors

Mr. Jiang Yan graduated from Hunan Tax College majoring in foreign taxation in 1998. He became a member of the Chinese Institute of Certified Public Accountants in 2000 and was qualified as an independent director by the China Securities Regulatory Commission in 2008.

**Mr. DANG Xiaoqing (黨小慶)**, aged 52, joined our Group on 15 September 2014 as an independent non-executive director and ceased his directorship with us with effect from 1 June 2016.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information (including changes thereto, if any) relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules such as, among others, matters relating to directorship held by Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

### SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three members, comprising two representatives of Shareholders and one representative of employees. Employee representative Supervisors are elected democratically by the employees representative congress, while Shareholder representative Supervisors are elected by the Shareholders. The term of office of each Supervisor is three years, which is renewable upon re-election and re-appointment. The powers and duties of our Supervisory Committee include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine our Company's financial information; monitoring the financial activities of our Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are detrimental to our Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

### Supervisors

**Mr. CHEN Xinhua (陳新華)**, aged 53, is the employee representative Supervisor and the head of the procurement department of the Company. He joined our Group on 28 December 2009.

From January 1997 to May 2000, Mr. Chen Xinhua served as the manager of the department of supplies of Zhejiang Shengjie Environmental Engineering Co. Ltd.# (浙江勝潔環保工程有限公司) and was responsible for the overall departmental management. From June 2000 to October 2001, he served as the manager of technology transformation projects of Tianjie Strip Steel Factory# (天潔帶鋼廠). From November 2001 to May 2003 and from January 2009 to December 2009, he served as the procurement manager and vice general manager of procurement centre, respectively in TGL, and was responsible for the procurement of raw materials of our Company. From June 2003 to December 2008, he served as the vice general manager of Zhejiang Liyu Stainless Steel Co. Ltd.# (浙江立宇不銹鋼有限公司), and was responsible for assisting the general manager in the overall operation of our Company.

Mr. Chen was graduated from Shaoxing Vocational Secondary College# (紹興市職工中等專業學校) in July 1990 majoring in industrial enterprise management.

## Details Regarding Directors and Supervisors

**Mr. FU Jun (傅均)**, aged 36, is the Supervisor, and he joined our Group on 18 October 2014. Prior to joining our Group, Mr. Fu joined the school of computer science and information technology of Zhejiang Gongshang University in December 2009 and was appointed as a lecturer in April 2010. He was promoted to become an assistant professor in November 2013 responsible for teaching and conducting research. Since June 2014, he has been working as a supervisor to master students in which he is responsible for supervising master students.

Mr. Fu obtained a bachelor's degree of bio-medical engineering from Zhejiang University in June 2004 and a doctorate degree in bio-medical engineering from Zhejiang University in December 2009. He also completed two years of minor studies in Japanese language in Zhejiang University in June 2003.

**Mr. FANG Zhiguo (方治國)**, aged 39, is the Supervisor, and he joined our Group on 18 October 2014. Prior to joining our Group, he worked as a post-doctoral researcher in environmental science and engineering at the Research Centre for Eco-Environment Sciences of the Chinese Academy of Sciences from August 2005 to August 2008, in which he was responsible for conducting research. He joined the school of environmental science and engineering of Zhejiang Gongshang University in August 2008 and became an assistant professor since October 2009, in which he is responsible for teaching and conducting research.

Mr. Fang obtained a master degree of science majoring in ecology from Zhejiang University in June 2002 and a doctorate degree in science majoring in ecology from the Graduate School of the Chinese Academy of Science (later renamed as the University of Chinese Academy of Sciences) in July 2005. He was a visiting scholar at the University of Oklahoma in the United States from June 2006 to May 2008.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of Supervisors that need to be brought to the attention of the Shareholders, nor is there any information (including changes thereto, if any) relating to our Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules such as, among others, matters relating to directorship held by Supervisors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

### DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors (except Ms. Bian Shu) and non-executive Directors (except Ms. Zhu Hong) entered into a service contract with our Company on 28 November 2012. Each of Ms. Bian Shu, an executive Director, and Ms. Zhu Hong, a non-executive Director, entered into a service contract with our Company on 1 June 2016. Each of the independent non-executive Directors signed a letter of appointment on 15 September 2014 except Mr. Jiang Yan who did so on 1 June 2016. The principal particulars of these service contracts and letters of appointment are (a) for a term commencing from the respective effective dates of their appointment until the day on which the next general meeting of the Shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms.

Mr. Chen Xinhua entered into a service contract with our Company on 1 June 2016, whilst each of Mr. Fu Jun and Mr. Fang Zhiguo signed a letter of appointment on 18 October 2014. As required under the Opinions on Further Promotion of Standardising Operations and Intensifying Reform of Overseas Listed Companies (Guojingmaogai No. [1999]230), the Supervisory Committee has a number of external Supervisors comprising one half or more of the composition, among whom two or more are independent Supervisors, namely Mr. Fu Jun and Mr. Fang Zhiguo.

## Details Regarding Directors and Supervisors

### EMOLUMENT POLICY

Our Company's nomination committee and the remuneration committee were set up for, among others, reviewing and company making recommendations on remuneration policy and scheme for our Directors, Supervisors, senior management and employees, taking into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Our Company had not adopted any share award scheme or share option scheme during the Reporting Period.

### REMUNERATION OF DIRECTORS AND SUPERVISORS

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>Six months ended 30 June 2016</b>				
Executive directors:				
Bian Yu	–	243	10	253
Bian Weican	–	88	10	98
Bian Shu	–	15	2	17
	–	346	22	368
Non-executive directors:				
Bian Jianguang	–	75	–	75
Zhang Yuanyuan	–	75	–	75
Zhu Hong	–	–	–	–
	–	150	–	150
Independent non-executive directors:				
Tam Hon Shan Celia	–	123	–	123
Zhang Bing	–	30	–	30
Dang Xiaoqing	–	30	–	30
Jiang Yan	–	–	–	–
	–	183	–	183
Supervisors:				
Chen Xinhua	–	10	1	11
Bian Shu	–	74	8	82
Fu Jun	–	30	–	30
Fang Zhiguo	–	30	–	30
	–	144	9	153
	–	823	31	854



## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND/OR SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2016, 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 pursuant to the Listing Rules were as follows:

1. Long position in respect of domestic shares of the Company ("**Domestic Shares**") as at 30 June 2016:

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 (Note 1)	Beneficial owner	13,671,000	13.67	10.13
	Interest in a controlled corporation (Note 2)	70,000,000	70	51.85
Mr. Bian Jianguang (Note 1)	Beneficial owner	6,843,000	6.84	5.07
	Interest in a controlled corporation (Note 2)	70,000,000	70	51.85
Mr. Bian Weican	Beneficial owner	1,851,000	1.85	1.37
Ms. Bian Shu (Note 1)	Beneficial owner	3,933,000	3.93	2.91
	Interest in a controlled corporation (Note 2)	70,000,000	70	51.85
Mr. Zhang Yuanyuan (Note 3)	Family interest of spouse	73,933,000	73.93	54.76

Notes:

1. The Company is held as to approximately 51.85% by TGL, approximately 10.13% by Mr. Bian Yu, approximately 5.07% by Mr. Bian Jianguang, approximately 2.91% by Ms. Bian Shu, approximately 1.37% by Mr. He Jianmin, approximately 1.37% by Mr. Bian Weican and approximately 1.37% by Mr. Chen Jiancheng. TGL is held as to approximately 64.08% by Mr. Bian Yu, approximately 22.81% by Mr. Bian Jianguang and approximately 13.11% by Ms. Bian Shu.
2. The disclosed interest represents the interest in the Company held 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. Therefore, Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL's interest in the Company by virtue of the SFO. The indirect interests in the Company's share capital owned by Mr. Bian Yu, Mr. Bian Jianguang and Ms. Bian Shu via their respective interests in TGL are approximately 33.23%, 11.83% and 6.80% respectively.
3. 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.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

In respect of 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 30 June 2016, 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 executives of the Company.

1. Long position in respect of Domestic Shares as at 30 June 2016:

Name	Capacity/ Nature of interest	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Approximate % of Company's share capital
TGL (Note 1)	Beneficial owner	70,000,000	70	51.85
Ms. Bao Guo (Note 2)	Family interest of spouse	83,671,000	83.67	61.98
Ms. Xu You (Note 3)	Family interest of spouse	76,843,000	76.84	56.92

Notes:

1. TGL is directly interested in approximately 51.85% in the Company.
2. Ms. Bao Guo, the spouse of Mr. Bian Yu, is deemed to be interested in Mr. Bian Yu's interest in the Company by virtue of the SFO.
3. 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 30 June 2016:

Name	Capacity/ Nature of interest	Number of H-Shares	Approximate % of total issued H-Shares	Approximate % of Company's share capital
Sinotak Limited	Interest in a controlled corporation	9,792,600	27.98	7.26
Zhang Wei (Note 4)	Beneficial owner	9,792,600	27.98	7.26
Hong Kong Joint Financial Investment Ltd	Interest in a controlled corporation	5,504,400	15.73	4.08
Zhao Kai Yuan (Note 5)	Beneficial owner	5,504,400	15.73	4.08
Kylin International (HK) Co., Ltd	Beneficial owner	1,834,800	5.24	1.36
凱銀投資管理有限公司 (Note 6)	Interest in a controlled corporation	1,834,800	5.24	1.36
德信控股集團有限公司 (Note 7)	Interest in a controlled corporation	1,834,800	5.24	1.36
Hu Yiping (Note 8)	Interest in a controlled corporation	1,834,800	5.24	1.36

## Other Information

Notes:

4. Mr. Zhang Wei, the controlling shareholder of Sinotak Limited, is deemed to be interested in Sinotak Limited's interests in the Company by virtue of the SFO.
5. Mr. Zhao Kai Yuan, 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.
6. 凱銀投資管理有限公司, the controlling shareholder of Kylin International (HK) Co., Ltd ("**Kylin International**"), is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO.
7. 德信控股集團有限公司, the controlling shareholder of 凱銀投資管理有限公司, is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO and note 6 above.
8. Mr. Hu Yiping, the controlling shareholder of 德信控股集團有限公司, is deemed to be interested in Kylin International's interests in the Company by virtue of the SFO as well as note 6 and 7 above.

### 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 special enquiries of all Directors, each of them has complied with the required standard set out in the Model Code as well as its code of conduct regarding Directors' securities transactions, where applicable.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (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 was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. Its terms of reference are available on the websites of the Company and the Stock Exchange. The Audit Committee comprises three independent non-executive Directors, namely Ms. Tam Hon Shan Celia (chairman), Mr. Jiang Yan 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 25 August 2016.



## Other Information

### INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited (“**China Everbright**”), the Company’s compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2016.

### PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim report is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tengy.com](http://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 and available on the aforesaid websites in due course.

# TENGY

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