迪诺斯
Denox Environment

DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED
迪諾斯環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1452

INTERIM REPORT 2018

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. ZHAO Shu *(Chairlady)*
Mr. KONG Hongjun
Mr. LI Ke

Non-executive Directors

Mr. LI Xingwu
Mr. TEO Yi Dar

Independent non-executive Directors

Mr. LAM Yiu Por
Mr. LI Min
Mr. ONG Chor Wei

Audit Committee

Mr. LAM Yiu Por *(Chairman)*
Mr. LI Min
Mr. ONG Chor Wei

Remuneration Committee

Mr. LI Min *(Chairman)*
Ms. ZHAO Shu
Mr. ONG Chor Wei

Nomination Committee

Ms. ZHAO Shu *(Chairlady)*
Mr. LI Min
Mr. ONG Chor Wei

Joint Company Secretaries

Mr. LIU Lianchao
Mr. CHAN Chung Kik, Lewis

Authorised Representatives

Ms. ZHAO Shu
Mr. LIU Lianchao

Auditor

PricewaterhouseCoopers

Legal Advisers

As to Hong Kong laws

Woo Kwan Lee & Lo

As to Cayman Islands laws

Conyers Dill & Pearman

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business

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Wanchai
Hong Kong

PRC

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Fengtai District, Beijing
100070, PRC

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
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No. 183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank

Website

www.china-denox.com

Stock Code

01452

BUSINESS REVIEW

OVERVIEW

Denox Environmental & Technology Holdings Limited (the "**Company**"), together with its subsidiaries, the "**Group**") is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of DeNOx catalysts in the People's Republic of China (the "**PRC**"). In the first half of 2018, there were no significant changes in the nature of the Group's principal activities.

Business review for the first half of 2018

(1) Plate-type DeNOx catalyst business

1 *Analysis of plate-type DeNOx catalyst industry*

In the first half of 2018, the DeNOx catalyst industry, which primarily serves the power generation industry, did not experience many changes as compared with 2017. As China imposes rigid restrictions on installation of new thermal power generating units in the 13th five-year energy plan and the upgrade of power generation industry toward low emission was completed, we believe the thermal power DeNOx catalyst market will enter into the "new normal" stage. In the meanwhile, we see good growth potential in the DeNOx catalyst demand from other industrial sectors as China beefs up the air pollution treatment. However, the sizes of demand in other industries will be much smaller than that in the thermal power industry.

2 *The Group's key tasks in respect of plate-type DeNOx catalyst products*

(1) Marketing and after-sale services

In the first half of 2018, the Group completed catalyst quotation enquiries for over 120 projects, including 12 projects in Taiwan and other overseas countries (including India, Europe, and so on). The Group has participated in 21 tenders hosted by various power generation groups, local power plants and other industrial enterprises. In the first half of 2018, the Group entered into 15 catalyst supply contracts. The following achievements are particularly noteworthy:

- The Group entered into cooperation with Fujian Longking Co., Ltd., a leading enterprise in China's environmental protection industry, for the first time.

- The Group managed to become a supplier for Formosa Plastics Group for the second time, reflecting Taiwan customers' recognition of the Group's product quality. It augurs that the Group's business in Taiwan may grow at a faster pace.

In the first half of 2018, the preliminary acceptance of catalysts was completed for 7 generating units in 6 projects, and final acceptance was completed for 11 generating units in 6 projects. The overall acceptance work was progressing steadily.

(2) Production management

In the first half of 2018, the Group completed productions for 16 projects and fulfilled the production plan for the first half of the year. In addition, the Group further automated related equipment and boosted productivity of the production lines and reduced reliance on human workers by increasing the level of automation in the first half of 2018. In the first half of 2018, the Group purchased more equipment for and assigned more staff to the environmental protection and safety works. In addition, it continued to enhance on-site 6S management, template management, safety standardization, occupational disease prevention and treatment, special equipment management, environmental management, equipment and energy management, and others.

(2) DeNOx catalysts for diesel-powered vehicles and vessels (engines)

1 Analysis of the industry of DeNOx catalysts for diesel-powered vehicles and vessels (engines)

On 22 June 2018, China's Ministry of Environmental Protection released the Limits and Measurement Methods for Emissions from Diesel Fuelled Heavy-Duty Vehicles (China VI), which sets out the timetable for implementation of pollutant emission limits for heavy-duty diesel-powered vehicles under China VI emission standards. Such government policy will reshuffle the vehicle catalyst industry. Conventional suppliers of catalysts for diesel-powered vehicles primarily produce China V vanadium-based coated DeNOx catalysts, while China VI emission standards demand the use of molecular sieve DeNOx catalysts, which has very different production process and formula. Similar to China V extrusion catalysts, the China VI molecular sieve catalyst technology is primarily controlled by foreign companies. Therefore, domestic vehicle catalyst producers are facing huge challenges, but those with strong technological strength will enjoy great business opportunities.

2 The Group's key tasks in respect of catalysts for diesel-powered vehicles and vessels (engines)

(1) After the Group launched the extrusion catalyst samples for diesel-powered vehicles (China V emission standards) in the second half of 2017, the Group strengthened the R&D and trial production of molecular sieve catalyst under China VI emission standards in the first half of 2018, and the first sample has been produced. In order to facilitate the sale of the Company's vehicle catalyst products, the Group has started the IATF16949-2016 Automotive Quality Management System certification and is carrying out related training and coaching activities at present.

(2) After the catalyst products for vessels (engines) were launched in the second half of 2017, related production processes were improved significantly in the first half of 2018. Witnessing a growing demand for engine catalysts, the Group is having preliminary technical exchanges with a number of customers.

Key work arrangements for the second half of 2018

(1) Plate-type DeNOx catalysts

1 Domestic business of plate-type DeNOx catalysts

After more than two years' fierce competition, industrial players are unwilling to continue the cutthroat price war, and we projected that the catalyst price may gradually recover. In the meanwhile, the Group has adjusted its marketing strategy based on the changing market conditions. The adjustments include expanding information channels beyond traditional top five power generation groups to collect project information through multiple channels. The Company needs to tap into the demand of local power plants that are not owned by the top five state-owned power generation groups, and expand business presence at petrochemical, chemical, coal, metallurgy, glass, aluminum oxide, ceramics, refractory materials, cement and other non-power-related industries.

2 Overseas markets for plate-type catalysts

Though the Company has made some breakthroughs in the international market, and its product quality is recognized by customers, overseas markets still account for a low percentage of the Company's total sales. The Company will continue to step up efforts in exploring the international market. It will strengthen its cooperation with its German partners, US catalyst producers and European customers. In addition, it will strive for bigger business presence in Vietnam, India, Indonesia and other Southeast Asian markets where the Company has not made breakthroughs for the moment.

3 *Continue to lower the raw material cost of plate-type catalysts*

(1) Mesh steel is the primary raw material for catalyst production. The Group shall further improve its operating efficiency, product quality and product qualification rate, thereby lowering the production costs.

(2) The Group needs to further lower the primary raw material costs of plate-type catalysts through enhanced R&D and technologies in the second half of 2018. It shall seek new primary raw material suppliers, and further lower purchase prices of primary raw materials when guaranteeing raw material quality.

(2) Production and sale of catalysts products for diesel-powered vehicles and vessels (engines)

1 *Strengthen the sale of catalysts for diesel-powered vehicles and vessels (engines)*

(1) The Group will hire sales staff who are dedicated to the selling of catalysts for diesel-powered vehicles, and start the preparatory work for sales of vehicle catalysts in the second half of 2018. Because the vehicle catalyst industry has a high entry barrier, the Company needs to further understand customer needs, conduct adequate external tests for related products and timely obtain related product announcements.

(2) The Group has had technical exchanges with a number of customers that need engine catalysts. In addition, the Group has entered into strategic cooperation intent with companies that have strong technology and production capabilities to jointly explore the engine catalyst market.

2 *Strengthen the production of catalysts for diesel-powered vehicles and vessels (engines)*

Through more than two years of R&D and trial production, the Group's catalysts for diesel-powered vehicles and vessels (engines) have been improved consistently. The Group has hired a number of fresh graduates to strengthen its production and R&D team, and looks to realize large-scale production of one or many products and achieve market breakthroughs by the end of 2018.

BUSINESS REVIEW

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2018 increased to approximately RMB9.7 million, representing an increase of 254.6% from approximately RMB2.7 million of the same period last year, which was primarily attributable to the increase in sales volume of plate-type DeNOx catalysts from 215 m^3 of the same period last year to 1,266 m^3 for the period under review. During the period under review, due to the intensified market competition and the downward adjustment of selling price of products of the Group in order to maintain the Group's market share, the average selling price of plate-type DeNOx catalysts per m^3 dropped by approximately 40% as compared to the same period last year.

Cost of sales

Cost of sales of the Group increased by approximately 27.4% from approximately RMB8.9 million for the six months ended 30 June 2017 to RMB11.4 million for the six months ended 30 June 2018. Excluding reversal of provision for write-down of inventories amounted to approximately RMB1.8 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: provision for write-down of inventories amounted to approximately RMB5.6 million), the increase in cost of sales was mainly due to the increase in sales volume of plate-type DeNOx catalysts.

Gross loss

As a result of continued vicious market competition, the Group incurred a gross loss of approximately RMB1.7 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB6.2 million).

Selling and marketing expenses

Selling and marketing expenses primarily consist of consulting service expenses, transportation cost and employee benefit expenses. For the six months ended 30 June 2018, the selling and marketing expenses of the Group amounted to approximately RMB3.0 million, which was comparable to approximately RMB2.9 million of the same period last year.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, professional fees and research and development expenses. For the six months ended 30 June 2018, the Group's administrative expenses decreased by 40.1% to approximately RMB10.2 million from approximately RMB17.1 million in the same period last year. Such decrease was primarily attributable to the decrease in research and development expenses for vessels and diesel powered vehicles.

Loss attributable to the shareholders of the Company

As a result of the aforementioned major factors, the loss attributable to the shareholders of the Company for the six months ended 30 June 2018 decreased by 45.2% to approximately RMB14.6 million from approximately RMB26.6 million in the same period last year.

Liquidity and capital resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 30 June 2018, the Group had net current assets of approximately RMB232.7 million (31 December 2017: approximately RMB242.4 million) of which cash and cash equivalents were approximately RMB167.5 million (31 December 2017: approximately RMB180.4 million) and were denominated in RMB, US$, Euro€, and HK$.

The Group had no bank borrowings as at 30 June 2018 (31 December 2017: Nil).

The Group had no pledged assets as at 30 June 2018 (31 December 2017: Nil).

Use of net proceeds from the Listing

As at 30 June 2018, net proceeds not utilised of approximately RMB87.2 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the Company's prospectus dated 30 October 2015.

	Planned Amount RMB'million	Amount utilised up to 30 June 2018 RMB'million	Balance as at 30 June 2018 RMB'million
Development of DeNOx catalysts for diesel-powered vehicles	78.6	27.7	50.9
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	24.3
Research and development	17.1	10.0	7.1
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	3.6	3.3
Replacement of the Group's No. 1 production line	5.1	3.5	1.6
Working capital and general corporate purposes	17.1	17.1	–
	171.0	83.8	87.2

Capital expenditure and commitments

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the six months ended 30 June 2018, the Group invested approximately RMB3.5 million (31 December 2017: RMB9.0 million) for the prepayment and purchase of property, plant and equipment. These capital expenditures were financed by internal resources of the Group.

As at 30 June 2018, the Group's future capital expenditures contracted but not provided for amounted to approximately RMB0.1 million (31 December 2017: approximately RMB0.8 million).

Contingent liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

Save as disclosed in this report, there was no plan authorised by the board (the "**Board**") of directors (the "**Directors**") of the Company for other material investments or additions of capital assets at the date of this report.

Important events affecting the Group after the reporting period

No important events affecting the Group has taken place since 30 June 2018 and up to the date of this report.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in RMB, of which foreign exchange risk is considered insignificant. The Group is exposed to foreign exchange risk primarily with respect to certain of its bank deposits which were denominated in HK$, US$ and Euro€. The Group did not carry out any hedging activity against foreign currency risk during the six months ended 30 June 2018. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Employees

As at 30 June 2018, the Group had 113 employees (31 December 2017: 115). Remuneration of the employees of the Group amounted to RMB7.3 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB7.4 million). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the Directors, senior management members and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for 2017. The Group's growth is dependent upon the skills and dedication of employees. The Group recognises the importance of human resources in competitive industry and has devoted resources to provide training to employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company ("**Shares**"), underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding *(Note 2)*
Ms. Zhao Shu	Beneficial owner	14,812,477 (L)	2.96%
	Interest in controlled corporation *(Note 3)*	152,031,609 (L)	30.41%
Mr. Li Xingwu	Interest in controlled corporation *(Note 4)*	51,075,015 (L)	10.22%
Mr. Kong Hongjun	Interest in controlled corporation *(Note 5)*	8,887,475 (L)	1.78%
Mr. Li Ke	Interest in controlled corporation *(Note 6)*	2,962,474 (L)	0.59%

Notes:

1. *The letter "L" denotes the person's long position in the Shares.*

2. *The percentages are calculated based on 500,000,000 Shares in issue as at 30 June 2018.*

3. *These 152,031,609 Shares are held by Advant Performance Limited ("**Advant Performance**") which is wholly owned by Ms. Zhao. Ms. Zhao is deemed to be interested in these Shares by virtue of the SFO.*

4. *These 51,075,015 Shares are held by EEC Technology Limited ("**EEC Technology**") which is wholly owned by Mr. Li. Mr. Li is deemed to be interested in these Shares by virtue of the SFO.*

5. *These 8,887,475 Shares are held by Global Reward Holdings Limited which is wholly owned by Mr. Kong. Mr. Kong is deemed to be interested in these Shares by virtue of the SFO.*

6. *These 2,962,474 Shares are held by Fine Treasure Asia Holdings Limited which is wholly owned by Mr. Li Ke. Mr. Li Ke is deemed to be interested in these Shares by virtue of the SFO.*

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

Save for the share option scheme of the Company as disclosed in its annual report for the year ended 31 December 2017, at no time during the six months ended 30 June 2018 was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests in Securities

As at 30 June 2018, so far as the Directors were aware, the following persons' (other than the Directors and chief executive of the Company) interests or short position in the Shares and underlying Shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding *(Note 2)*
Advant Performance	Beneficial owner	152,031,069 (L)	30.41%
EEC Technology	Beneficial owner	51,075,015 (L)	10.22%
Kickstart Holdings Limited	Beneficial owner	40,188,996 (L)	8.03%
Spring Capital Asia Fund, L.P.	Interest in controlled corporation *(Note 3)*	40,188,996 (L)	8.03%

Notes:

1. *The letter "L" denotes the person's long position in the Shares.*

2. *The percentages are calculated based on the 500,000,000 Shares in issue as at 30 June 2018.*

3. *Kickstart is beneficially and wholly owned by Spring Capital Asia Fund, L.P.. Spring Capital Asia Fund, L.P. is deemed to be interested in these Shares held by Kickstart by virtue of the SFO.*

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) having an interest or short position in Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2018.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2018, the Company complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules with the exception of code provision A.2.1. The Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company. For further details of such exception, please refer to section headed "Corporate Governance Report – (D) Chairman and Chief Executive" of the annual report of the Company for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

CHANGE OF DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the Director's information required to be disclosed pursuant to rule 13.51B (1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 December 2017 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with management and external auditor the accounting policies, accounting standards and practices adopted by the Group and the unaudited consolidated interim financial information and results of the Group for the six months ended 30 June 2018.

By Order of the Board
Zhao Shu
Chairlady

Hong Kong, 31 August 2018

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羅兵咸永道

TO THE BOARD OF DIRECTORS OF
DENOX ENVIRONMENTAL &TECHNOLOGY HOLDINGS LIMITED
(incorporated in Cayman with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 48, which comprises the interim condensed consolidated balance sheet of Denox Environmental & Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2018 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2018

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	8	**9,710**	2,738
Cost of sales	9	**(11,363)**	(8,918)
Gross loss		**(1,653)**	(6,180)
Selling and marketing expenses	9	**(3,032)**	(2,934)
Administrative expenses	9	**(10,228)**	(17,064)
Other gains – net	10	**22**	323
Operating loss		**(14,891)**	(25,855)
Finance income	11	**481**	105
Finance costs	11	**–**	(196)
Finance income/(costs) – net		**481**	(91)
Loss before income tax		**(14,410)**	(25,946)
Income tax expenses	12	**(46)**	(612)
Loss for the period		**(14,456)**	(26,558)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Currency translation differences	24	**590**	(3,427)
Other comprehensive income/(loss) for the period		**590**	(3,427)
Total comprehensive loss for the period		**(13,866)**	(29,985)

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Loss for the period attributable to:			
– Shareholders of the Company		**(14,574)**	(26,619)
– Non-controlling interests		**118**	61
		(14,456)	(26,558)
Total comprehensive loss attributable to:			
– Shareholders of the Company		**(13,984)**	(30,046)
– Non-controlling interests		**118**	61
		(13,866)	(29,985)
Losses per share attributable to shareholders of the Company (expressed in RMB per share)			
Basic losses per share	13	**(0.029)**	(0.053)

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**55,261**	56,635
Land use rights	15	**15,509**	15,685
Intangible assets	16	**18,178**	19,987
Long-term prepayments	21	**875**	1,135
Restricted cash	22	**1,922**	1,901
Total non-current assets		**91,745**	95,343
Current assets			
Inventories	18	**49,734**	35,578
Trade receivables	19	**39,374**	49,715
Financial assets at fair value through other comprehensive income	20	**2,560**	–
Prepayments, deposits and other receivables	21	**11,920**	12,255
Restricted cash	22	**2,679**	2,658
Cash and cash equivalents	22	**167,524**	180,381
Total current assets		**273,791**	280,587
Total assets		**365,536**	375,930
LIABILITIES			
Non-current liabilities			
Deferred income	26	**40**	70
Deferred income tax liabilities	17	**2,223**	2,365
Total non-current liabilities		**2,263**	2,435
Current liabilities			
Trade payables	25	**7,797**	5,980
Advances from customers	4.3(b)	**9,601**	5,711
Accruals and other payables	26	**17,792**	20,672
Current income tax liabilities		**5,907**	5,815
Total current liabilities		**41,097**	38,178
Total liabilities		**43,360**	40,613
Net assets		**322,176**	335,317

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	23	**31,802**	31,802
Share premium	24	**851,181**	851,181
Capital reserves	24	**(552,410)**	(552,410)
Other reserves	24	**30,430**	29,685
Accumulated deficits		**(52,030)**	(38,026)
		308,973	322,232
Non-controlling interests		**13,203**	13,085
Total equity		**322,176**	335,317

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Unaudited							
		Attributable to shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		**31,802**	**851,181**	**(552,410)**	**29,685**	**(38,026)**	**322,232**	**13,085**	**335,317**
Changes in accounting policy – IFRS 9	4	–	–	–	–	725	725	–	725
As restated		**31,802**	**851,181**	**(552,410)**	**29,685**	**(37,301)**	**322,957**	**13,085**	**336,042**
Comprehensive loss									
Loss for the six months ended 30 June 2018		–	–	–	–	(14,574)	(14,574)	118	(14,456)
Other comprehensive income									
Currency translation differences		–	–	–	590	–	590	–	590
Total comprehensive loss		–	–	–	590	(14,574)	(13,984)	118	(13,866)
Appropriation to statutory reserves	24	–	–	–	155	(155)	–	–	–
Balance at 30 June 2018		**31,802**	**851,181**	**(552,410)**	**30,430**	**(52,030)**	**308,973**	**13,203**	**322,176**

		Unaudited							
		Attributable to shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		31,802	851,181	(552,410)	35,669	35,232	401,474	13,651	415,125
Comprehensive loss									
Loss for the six months ended 30 June 2017		–	–	–	–	(26,619)	(26,619)	61	(26,558)
Other comprehensive income									
Currency translation differences		–	–	–	(3,427)	–	(3,427)	–	(3,427)
Total comprehensive loss		–	–	–	(3,427)	(26,619)	(30,046)	61	(29,985)
Appropriation to statutory reserves	24	–	–	–	243	(243)	–	–	–
Balance at 30 June 2017		31,802	851,181	(552,410)	32,485	8,370	371,428	13,712	385,140

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash used in operations		**(10,313)**	(18,626)
Interest received		**75**	105
Income tax paid		**(98)**	(411)
Net cash used in operating activities		**(10,336)**	(18,932)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,475)**	(6,357)
Payment to acquire available-for-sale financial assets		**–**	(11,000)
Proceeds from disposal of available-for-sale financial assets		**–**	2,000
(Increase)/decrease in pledged deposits		**(42)**	1,020
Interest received from available-for-sale financial assets		**–**	11
Net cash used in investing activities		**(3,517)**	(14,326)
Cash flows from financing activities		**–**	–
Net decrease in cash and cash equivalents		**(13,853)**	(33,258)
Cash and cash equivalents at beginning of period	22	**180,381**	223,805
Exchange gains/(losses) on cash and cash equivalents		**996**	(3,624)
Cash and cash equivalents at end of period	22	**167,524**	186,923

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

1. GENERAL INFORMATION

Denox Environmental & Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 7 November 2014 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in design, development manufacture and sales of DeNOx catalysts in the People's Republic of China (the "**PRC**").

This interim condensed consolidated financial information is presented in Renminbi (the "**RMB**"), unless otherwise stated. This interim condensed consolidated financial information was approved by the board of directors of the Company for issue on 31 August 2018.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, 'Interim financial reporting'. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Denox Environmental & Technology Holdings Limited during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2017 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earning and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2018.

3. ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and made retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet early adopted by the Group

New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group include the followings:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17	Insurance contracts	1 January 2021

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB157,000. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

4.1 Impact on Financial Information

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The adoption of IFRS 15 did not have an impact on the Group's financial statements.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Balance sheet (extract)	**1 January 2018 As originally presented** RMB'000	**IFRS 9** RMB'000	**1 January 2018 Restated** RMB'000
Assets			
Current assets			
Trade receivables	49,715	725	50,440
Equity			
Accumulated deficits	(38,026)	725	(37,301)

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 Adoption of IFRS 9 Financial Instruments

(a) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4.2 (b) below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's accumulated deficits as at 1 January 2018 is as follows:

	Notes	**Balance** RMB'000
Closing accumulated deficits 31 December 2017 – IAS 39		(38,026)
Adjustment to accumulated deficits from adoption of IFRS 9 on 1 January 2018 – Decrease in provision for trade receivables	(ii)	725
Opening accumulated deficits 1 January 2018 – IFRS 9		(37,301)

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The Group's financial assets include cash and cash equivalents, trade receivables and other receivables, see note 22, 19 and 21 for details about each type of financial asset.

There were no changes to the classification and measurement of the Group's financial instrument.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 Adoption of IFRS 9 Financial Instruments *(Continued)*

(a) IFRS 9 Financial Instruments – Impact of adoption *(Continued)*

(ii) Impairment of financial assets

The Group has below types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivable
- Other receivables
- Cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9 for each of these class of assets. The impact of the change in impairment methodology on the Group's accumulated deficits and equity is disclosed in the table in note 4.1 above. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	7.06%	13.90%	28.01%	55.46%	
Gross carrying amount	29,536	17,092	6,303	8,382	61,313
Loss allowance	2,084	2,375	1,765	4,649	10,873

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 Adoption of IFRS 9 Financial Instruments *(Continued)*

(a) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Loss allowances for trade receivable RMB'000
At 31 December 2017 – calculated under IAS 39	11,598
Amounts restated through opening accumulated deficits	(725)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	10,873

Other financial assets at amortised cost

Other financial assets at amortised cost are other receivables. In view of the history of cooperation with debtors and the sound collection history of receivable due from them, the outstanding other receivable balances due from them are considered to be low credit risk.

(b) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 Adoption of IFRS 9 Financial Instruments *(Continued)*

(b) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets *(Continued)*

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated statement of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains-net', together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other gains-net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains-net' and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other gains-net' in the period in which it arises.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 Adoption of IFRS 9 Financial Instruments *(Continued)*

(b) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets *(Continued)*

Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in 'other gains-net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 Adoption of IFRS 15 Revenue From Contracts With Customers

(a) IFRS 15 Revenue from contracts with customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The adoption of the new revenue standard had no impact on the Group's consolidated financial statements.

(b) IFRS 15 Revenue from contracts with customers – Accounting policies applied from 1 January 2018

Revenue is recognized when or as the control of the goods is transferred to customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods may be transferred over time or at a point in time.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group records the payment or receivable (which is earlier) as contract liability. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities were mainly resulted from sales of plate-type DeNOx catalysts, which is recorded in advances from customers under current liabilities before and the after adoption of IFRS 15.

Sales of goods

The Group manufactures and sells plate-type DeNOx catalysts to coal-fired power plants (the "**Power Plants**"), certain engineering, procurement and construction (the "**EPCs**") service providers and boiler manufacturers in the PRC. The Group is responsible for the delivery of goods to customers' specified destinations after the sales contracts are signed. The customers are responsible for the test run of the function of the Group's products after installation, and will issue a preliminary acceptance certificate to the Group when the Group's products are qualified. Sales of goods are recognised when control of the goods is transferred to the customers, generally coincides with the time of receipt of the preliminary acceptance certificate.

5. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

There have been no changes in the risk management policies since 31 December 2017 except for the policy to monitor credit risk under expected credit losses model.

6.2 Liquidity Risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months RMB'000	Between 6 months and 1 year RMB'000	More than 1 year RMB'000	Total RMB'000
As at 30 June 2018				
Trade payables	**7,797**	**–**	**–**	**7,797**
Accruals and other payables (excluding payroll payable and tax payable)	**14,837**	**–**	**–**	**14,837**
	22,634	**–**	**–**	**22,634**
As at 31 December 2017				
Trade payables	5,980	–	–	5,980
Accruals and other payables (excluding payroll payable and tax payable)	17,557	–	–	17,557
	23,537	–	–	23,537

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

6.3 Fair Value Estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	–	–	2,560	2,560

There were no transfers between levels during the period. There were no other changes in valuation techniques during the period.

7. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group has determined that its business, as a whole, falls into one segment.

8. REVENUE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Sales of goods	**9,710**	2,738

9. EXPENSES BY NATURE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Changes in work in progress, finished goods and goods in transit	**(14,771)**	(25,282)
Raw materials consumed and consumable used	**20,317**	19,546
Employee benefit expenses	**7,276**	7,351
Depreciation, amortisation and impairment charges (Notes 14,15,16)	**3,882**	4,788
Professional services fee	**2,313**	3,693
Utilities charges and office expenses	**1,704**	1,416
Consulting service fees	**1,051**	1,225
Transportation and warehouse expenses	**910**	903
Research and development expenses	**858**	6,234
Operating lease rentals	**423**	483
Provision/(reversal of) for warranty	**17**	(36)
(Reversal of)/provision for impairment of receivables	**(47)**	561
(Reversal of)/provision for inventory write-down (Note 18)	**(1,787)**	5,564
Others	**2,477**	2,470
	24,623	28,916

10. OTHER GAINS- NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Government grants	**30**	136
Foreign exchange (losses)/gains	**(4)**	180
Others	**(4)**	7
	22	323

11. FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents and restricted cash	**75**	105
Net foreign exchange gains on financing activities	**406**	–
	481	105
Finance costs		
Net foreign exchange losses on financing activities	**–**	(196)
Finance income/(costs) – net	**481**	(91)

12. INCOME TAX EXPENSES

The Group is not subject to taxation in the Cayman Island. Hong Kong profits tax has been provided for at a rate of 16.5% (2017: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 25% (2017: 25%) and one of which is entitled to preferential EIT rate of 15%.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax expenses	**188**	832
Deferred income tax (Note 17)	**(142)**	(220)
	46	612

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the six months ended 30 June 2018 is -3.14% and 16.5%, respectively (2017: -3.02%and 16.5%, respectively).

13. LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during each interim period.

	Six months ended 30 June	
	2018	2017
Loss attributable to shareholders of the Company (RMB'000)	**(14,574)**	(26,619)
Weighted average number of ordinary shares in issue (thousand shares)	**500,000**	500,000
Basic losses per share attributable to the ordinary equity holders of the company (express in RMB per share)	**(0.029)**	(0.053)

(b) Diluted

Diluted losses per share is calculated by dividing the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.

For the six months ended 30 June 2018 and 2017, the Group had no potentially dilutive ordinary shares in issue.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve-ments RMB'000	Construction in-progress ("CIP") RMB'000	Total RMB'000
Six months ended 30 June 2018							
Opening net book value as at 1 January 2018	**31,797**	**8,504**	**358**	**682**	**62**	**15,232**	**56,635**
Additions	**–**	**31**	**–**	**5**	**–**	**487**	**523**
Transferred from CIP	**–**	**683**	**–**	**–**	**–**	**(683)**	**–**
Depreciation charge	**(1,062)**	**(574)**	**(86)**	**(133)**	**(42)**	**–**	**(1,897)**
Closing net book value	**30,735**	**8,644**	**272**	**554**	**20**	**15,036**	**55,261**
As at 30 June 2018							
Cost	**39,153**	**45,410**	**1,625**	**1,884**	**423**	**15,036**	**103,531**
Accumulated depreciation	**(8,418)**	**(15,807)**	**(1,353)**	**(1,330)**	**(403)**	**–**	**(27,311)**
Impairment	**–**	**(20,959)**	**–**	**–**	**–**	**–**	**(20,959)**
Net book value	**30,735**	**8,644**	**272**	**554**	**20**	**15,036**	**55,261**
Six months ended 30 June 2017							
Opening net book value as at 1 January 2017	28,802	17,590	721	686	147	9,975	57,921
Additions	27	20	–	95	–	11,054	11,196
Transferred from CIP	6,508	70	–	–	–	(6,578)	–
Depreciation charge	(1,023)	(1,113)	(208)	(171)	(42)	–	(2,557)
Closing net book value	34,314	16,567	513	610	105	14,451	66,560
As at 30 June 2017							
Cost	40,523	43,714	1,611	1,662	423	14,451	102,384
Accumulated depreciation	(6,209)	(14,086)	(1,098)	(1,052)	(318)	–	(22,763)
Impairment	–	(13,061)	–	–	–	–	(13,061)
Net book value	34,314	16,567	513	610	105	14,451	66,560

15. LAND USE RIGHTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Opening net book value	**15,685**	16,036
Amortisation charge	**(176)**	(176)
Closing net book value	**15,509**	15,860

The Group's land use rights are located in Gu'an and Wu Xi, the PRC, both with an original lease year of 50 years.

16. INTANGIBLE ASSETS

	Goodwill RMB'000	Patent rights RMB'000	Software RMB'000	Technical know how RMB'000	Total RMB'000
Six months ended 30 June 2018					
Opening net book value at 1 January 2018	**–**	**271**	**5**	**19,711**	**19,987**
Amortisation charge	**–**	**(67)**	**(1)**	**(1,741)**	**(1,809)**
Closing net book value	**–**	**204**	**4**	**17,970**	**18,178**
As at 30 June 2018					
Cost	**7,262**	**8,124**	**7**	**31,640**	**47,033**
Accumulated amortisation	**–**	**(5,772)**	**(3)**	**(9,705)**	**(15,480)**
Impairment	**(7,262)**	**(2,148)**	**–**	**(3,965)**	**(13,375)**
Net book value	**–**	**204**	**4**	**17,970**	**18,178**
Six months ended 30 June 2017					
Opening net book value at 1 January 2017	7,262	1,274	6	26,295	34,837
Amortisation charge	–	(212)	(1)	(1,842)	(2,055)
Closing net book value	7,262	1,062	5	24,453	32,782
As at 30 June 2017					
Cost	7,262	8,124	7	31,640	47,033
Accumulated amortisation	–	(5,494)	(2)	(6,121)	(11,617)
Impairment	–	(1,568)	–	(1,066)	(2,634)
Net book value	7,262	1,062	5	24,453	32,782

17. DEFERRED INCOME TAX LIABILITIES

The analysis of deferred income tax liabilities is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Valuation adjustment resulting from acquisition of a subsidiary	**2,223**	2,365

The movements of the deferred income tax liabilities are as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening balance as at 1 January	**2,365**	3,614
Charged to the consolidated statement of comprehensive income	**(142)**	(220)
Closing balance as at 30 June	**2,223**	3,394

As at 30 June 2018, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the accumulated deficits of approximately RMB11,528,000 (The six months ended 30 June 2017: undistributed profit of approximately RMB20,190,000).

The unused tax losses incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses can be carried forward and will expire from 2021 to 2023.

18. INVENTORIES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Raw materials	**13,777**	14,018
Work-in-progress	**8,872**	3,999
Finished goods	**8,783**	7,150
Goods in transit	**18,302**	10,411
	49,734	35,578

For the six months ended 30 June 2018, the cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB11,313,000 (The six months ended 30 June 2017: RM8,854,000).

Reversal of provision for write-down of inventories to net realisable value amounted to RMB1,787,000 (The six months ended 30 June 2017: provision for write-down of inventories amounted to RMB5,564,000). These were recognised as cost of sales in the consolidated statement of comprehensive income.

19. TRADE RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade receivables	**50,199**	61,313
Less: provision for impairment	**(10,825)**	(11,598)
	39,374	49,715

Aging analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Less than 3 months	**1,413**	18,555
3 months to 6 months	**4,956**	10,519
6 months to 1 year	**16,423**	462
1 year to 2 years	**7,656**	17,092
2 years to 3 years	**10,198**	6,303
Over 3 years	**9,553**	8,382
	50,199	61,313

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Bills receivable	**2,560**	–

As at 30 June 2018, financial assets at fair value through other comprehensive income represented bills receivable where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Included in non-current assets		
Prepayments for acquisition of property, plant and equipment	**245**	431
Long-term prepaid expenses	**630**	704
	875	1,135
Included in current assets		
Deductible input value-added tax	**5,695**	6,626
Deposits	**2,219**	1,773
Prepayments to suppliers	**1,160**	713
Export tax refund	**503**	117
Others	**2,343**	3,026
	11,920	12,255
Total	**12,795**	13,390

22. CASH AND BANK BALANCES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Current		
Cash and cash equivalents	**167,524**	180,381
Restricted cash	**2,679**	2,658
	170,203	183,039
Non-current		
Restricted cash	**1,922**	1,901
Total cash and cash equivalents and restricted cash	**172,125**	184,940

Restricted bank deposits were held as guarantee for bidding, product quality and performance of the Group's sales contracts.

23. SHARE CAPITAL

	Number of shares issued	Share capital RMB'000
As at 1 January 2017 to 30 June 2018	500,000,000	31,802

The Company's authorized share capital is US$50,000,000 divided into 5,000,000,000 shares at a par value of US$0.01 each.

24. SHARE PREMIUM, CAPITAL RESERVES AND OTHER RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
Balance at 1 January 2018	**851,181**	**(552,410)**	**12,665**	**10,214**	**6,806**	**328,456**
Appropriation to statutory reserves	**–**	**–**	**155**	**–**	**–**	**155**
Currency translation differences	**–**	**–**	**–**	**–**	**590**	**590**
Balance at 30 June 2018	**851,181**	**(552,410)**	**12,820**	**10,214**	**7,396**	**329,201**
Balance at 1 January 2017	851,181	(552,410)	12,406	10,214	13,049	334,440
Appropriation to statutory reserves	–	–	243	–	–	243
Currency translation differences	–	–	–	–	(3,427)	(3,427)
Balance at 30 June 2017	851,181	(552,410)	12,649	10,214	9,622	331,256

In accordance with the respective articles of association and board resolutions, the Group's subsidiaries incorporated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital.

25. TRADE PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Third party	**7,797**	5,980

Ageing analysis of trade payables as at 30 June 2018 and 31 December 2017 was as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Within 6 months	**7,269**	5,521
6 months to 1 year	**147**	206
1 to 2 years	**188**	–
Over 2 years	**193**	253
	7,797	5,980

26. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Included in non-current liabilities		
Deferred income – government grants	**40**	70
Included in current liabilities		
Payables for purchases of property, plant and equipment	**5,425**	8,563
Payroll and welfare payables	**2,579**	2,676
Payables for purchases of land use right	**2,573**	2,573
Dividend payables to original shareholder of Wuxi Taidi before the business combination	**1,726**	1,726
Amount due to non-controlling interest (Note 27 (c))	**1,405**	1,635
Payables for consulting service fee	**1,071**	913
Warranty provision	**427**	536
Value-added and other taxes payables	**376**	439
Others	**2,210**	1,611
	17,792	20,672
	17,832	20,742

27. RELATED PARTY TRANSACTIONS

(a) The following companies and persons are related parties of the Group during six months ended 30 June 2018 and 2017:

Names of the related parties	Nature of relationship
Mr. Chen Qizhao	Close family member of Ms. Zhao Shu (the "**Controlling Shareholder**")
Zhongyu Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程（北京）有限公司)	Controlled by a director of the the Company
Mr. Chen Zhengfang	Non-controlling shareholder of Wuxi Denox

(b) Transactions with related parties

Save as disclosed elsewhere in the financial information, the Group has the following transactions with related parties, which are all discontinued transactions except for operating lease expenses as disclosed in below:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Operating lease expenses charged by related parties:		
Mr. Chen Qizhao	**157**	157
Rental fees charged by related parties:		
Zhongyu Environmental Engineering (Beijing) Co., Ltd.	**18**	9

The Group leased an office unit in Beijing from Mr. Chen Qizhao and a car from Zhongyu Environmental Engineering (Beijing) Co., Ltd..

27. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Prepayment of rental fees:		
Zhongyu Environmental Engineering (Beijing) Co., Ltd.	**134**	152
Payable to related parties:		
Shareholder's loan		
– Mr. Chen Zhengfang (note(i))	**930**	1,160
Dividend payable		
– Mr. Chen Zhengfang	**475**	475
	1,405	1,635

(i) During the year ended 31 December 2017, Mr. Chen Zhengfang granted loans amounted to RMB2,280,000 to Wuxi Denox. Such loans were unsecured and interest free, and had no fixed payment term.

28. COMMITMENTS

(a) Capital commitments

As at 30 June 2018 and 31 December 2017, the Group's capital expenditure commitment is shown below:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Capital expenditure contracted for but not provided for:		
Acquisition of property, plant and equipment	**104**	782

(b) Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating leases for the Group's rented premises are as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
No later than 1 year	**157**	313