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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Denox Environmental & Technology Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim financial information and results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 (the "**Period**") together with comparative figures for the corresponding period of 2018 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Notes	**2019**	2018
		RMB'000	*RMB'000*
Revenue from contracts with customers	*5*	**15,742**	9,710
Cost of sales	*6*	**(15,046)**	(11,363)
Gross loss		**696**	(1,653)
Selling and marketing expenses	*6*	**(6,340)**	(3,032)
Administrative expenses	*6*	**(9,944)**	(10,228)
Other gains – net	*7*	**102**	22
Operating loss		**(15,486)**	(14,891)
Finance income	*8*	**445**	481
Finance costs	*8*	**(1,583)**	–
Finance (costs)/income – net		**(1,138)**	481
Loss before income tax		**(16,624)**	(14,410)
Income tax expenses	*9*	**(397)**	(46)
Loss for the period		**(17,021)**	(14,456)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**263**	590
Other comprehensive income for the period		**263**	590
Total comprehensive loss for the period		**(16,758)**	(13,866)
(Loss)/Profit for the period attributable to:			
– Shareholders of the Company		**(17,643)**	(14,574)
– Non-controlling interests		**622**	118
		(17,021)	(14,456)
Total comprehensive (loss)/profit attributable to:			
– Shareholders of the Company		**(17,380)**	(13,984)
– Non-controlling interests		**622**	118
		(16,758)	(13,866)
Losses per share attributable to shareholders of the Company (expressed in RMB per share)			
Basic losses per share	*10*	**(0.036)**	(0.029)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**48,863**	47,825
Right-of-use assets		**17,664**	–
Land use rights		**–**	15,334
Intangible assets		**10,036**	12,129
Long-term prepayments		**1,762**	1,768
Restricted cash		**1,879**	1,901
Total non-current assets		**80,204**	78,957
Current assets			
Inventories	*11*	**65,900**	40,629
Trade receivables	*12*	**36,120**	49,717
Financial assets at fair value through other comprehensive income		**12,080**	6,569
Prepayments, deposits and other receivables		**14,661**	13,597
Restricted cash		**43**	889
Cash and cash equivalents		**114,367**	145,424
Total current assets		**243,171**	256,825
Total assets		**323,375**	335,782

	Notes	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,554**	–
Deferred income		**–**	10
Deferred income tax liabilities		**1,681**	1,811
Total non-current liabilities		**3,235**	1,821
Current liabilities			
Trade payables	*13*	**10,148**	3,822
Advances from customers		**11,344**	10,147
Accruals and other payables		**9,916**	15,009
Current income tax liabilities		**7,018**	6,511
Total current liabilities		**38,426**	35,489
Total liabilities		**41,661**	37,310
Net assets		**281,714**	298,472
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**31,506**	31,596
Treasury stock		**–**	(635)
Share premium		**850,103**	850,648
Capital reserves		**(552,410)**	(552,410)
Other reserves		**33,593**	33,164
Accumulated deficits		**(95,045)**	(77,236)
		267,747	285,127
Non-controlling interests		**13,967**	13,345
Total equity		**281,714**	298,472

NOTES TO THE INTERIM CONDENSED 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 30 August 2019.

This interim condensed consolidated financial information has not been audited.

Key events

In February 2019, Gu'an Denox, a subsidiary of the Company, and two third party individuals established Langfang Denox Environment & Technology Co., Ltd. ("**Langfang Denox**"), a company intends primarily to engage in development and manufacture of DeNOx catalysts for vehicles. The registered capital of Langfang Denox is RMB5,000,000, of which the Group holds 40% equity interests. As at 30 June 2019, the capital contribution of RMB2,000,000 had not been paid up by the Group.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 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 2018 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 2018 (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 2019.

(a) New and amended standards adopoted 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 IFRS 16 Leases.

The impact of the adoption of the leasing standard 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 2019 and have not been early adopted by the Group include the followings:

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments to IFRS 3	Definition of a material	1 January 2020
Revised conceptual framework	Revised conceptual framework for financial reporting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 4.2 below.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

4.1 Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	790
Discounted using the lessee's incremental borrowing rate of at the date of initial application	698
Add: adjustments as a result of a different treatment of extension options	831
Lease liability recognised as at 1 January 2019	1,529
Of which are:	
Current lease liabilities	–
Non-current lease liabilities	1,529
Add:	
Prepaid lease payments	1,262
Reclassification of land use rights	15,334
Right-of-use assets as at 1 January 2019	18,125

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and reclassification of land use rights relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of asset:

	Land use rights *RMB'000*	**Properties** *RMB'000*	**Vehicles** *RMB'000*
At 1 January 2019	15,334	2,675	116
Depreciation	(176)	(267)	(18)
At 30 June 2019	15,158	2,408	98

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB18,125,000
- Long-term prepayments – decrease by RMB651,000
- Land use rights – decrease by RMB15,334,000
- Prepayments, deposits and other receivables – decrease by RMB611,000
- Lease liabilities (non-current) – increase by RMB1,529,000

There is no impact on retained earnings on 1 January 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

4.2 The Group's Leasing Activities and How These are Accounted for

The Group is a lessee of various offices which are currently classified as operating leases. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties and vehicles were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated comprehensive income statements on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of RMB831,000.

5. REVENUE FROM CONTRACT WITH CUSTOMERS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Sales of plate-type DeNOx catalysts	**13,334**	9,710
Sales of DeNOx catalysts for diesel powered vehicles	**2,408**	–
	15,742	9,710

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Changes in work in progress, finished goods and goods in transit	**(25,095)**	(14,771)
Raw materials consumed and consumable used	**30,989**	20,317
Employee benefit expenses	**8,700**	7,276
Depreciation, amortisation and impairment charges	**6,157**	3,882
Professional services fees	**2,127**	2,313
Utilities charges and office expenses	**2,167**	1,704
Consulting service fees	**1,900**	1,051
Transportation and warehouse expenses	**1,313**	910
Research and development expenses	**1,331**	858
Depreciation of right-of-use assets	**461**	–
Operating lease rentals	**159**	423
(Reversal of)/provision for warranty	**(42)**	17
(Reversal of)/provision for impairment of receivables	**(3,482)**	(47)
Provision for/(reversal of) inventory write-down *(Note 11)*	**662**	(1,787)
Others	**3,983**	2,477
	31,330	24,623

7. OTHER GAINS – NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**110**	30
Foreign exchange losses	**(5)**	(4)
Others	**(3)**	(4)
	102	22

8. FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
Interest income on cash and cash equivalents and restricted cash	**445**	75
Net foreign exchange gains on financing activities	**–**	406
	445	481
Finance costs		
Interest expenses on lease liabilities	**(25)**	–
Net foreign exchange losses on financing activities	**(1,558)**	–
	(1,583)	–
Finance (costs)/income – net	**(1,138)**	481

9. 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% (2018: 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 15% (2018: 25%).

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax expenses	**527**	188
Deferred income tax	**(130)**	(142)
	397	46

Income tax expenses are 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 2019 is -5.81% and 16.5%, respectively (2018: -3.14%and 16.5%, respectively).

10. 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	
	2019	2018
Loss attributable to shareholders of the Company *(RMB'000)*	**(17,643)**	(14,574)
Weighted average number of ordinary shares in issue *(thousand shares)*	**495,349**	500,000
Basic losses per share attributable to the ordinary equity holders of the company *(express in RMB per share)*	**(0.036)**	(0.029)

(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 2019 and 2018, the Group had no potentially dilutive ordinary shares in issue.

11. INVENTORIES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Raw materials	**17,089**	14,534
Work-in-progress	**3,589**	4,716
Finished goods	**10,480**	10,814
Goods in transit	**34,742**	10,565
	65,900	40,629

For the six months ended 30 June 2019, the cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB14,478,000 (The six months ended 30 June 2018: RMB11,313,000).

Provision for write-down of inventories to net realisable value amounted to RMB662,000 (The six months ended 30 June 2018: reversal of provision for write-down of inventories amounted to RMB1,787,000). These were recognised as cost of sales in the consolidated statement of comprehensive income.

12. TRADE RECEIVABLES

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Trade receivables	**41,994**	59,073
Less: provision for impairment	**(5,874)**	(9,356)
	36,120	49,717

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

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Less than 1 year	**26,483**	29,377
1 year to 2 years	**7,467**	10,572
2 years to 3 years	**1,629**	13,081
Over 3 years	**6,415**	6,043
	41,994	59,073

13. TRADE PAYABLES

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Third party	**10,148**	3,822

Ageing analysis of trade payables as at 30 June 2019 and 31 December 2018 was as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Within 6 months	**9,852**	3,558
6 months to 1 year	**43**	–
1 to 2 years	**–**	124
Over 2 years	**253**	140
	10,148	3,822

BUSINESS REVIEW

Overview

The Company is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of plate-type DeNOx catalysts in the People's Republic of China (the "**PRC**").

Business review for the first half of 2019

(1) Plate-type DeNOx catalyst business

1 Analysis of plate-type DeNOx catalyst industry

In the first half of 2019, the plate-type DeNOx catalyst industry, which primarily serves the power generation industry, remained steady and product prices are also out of the trough. Yet overall the profit level of products is still relatively low, and for a few major existing manufacturers the entire market is still experiencing overcapacity. There has not been a large-scale outbreak for the DeNOx catalyst market in the cement industry which the Group focused on paying attention to in the first half of the year, mainly because it takes time for the cement industry to understand the skills and process of emission of nitrogen oxides. Although there is a clear policy requirement, the overall market still needs some time for a large-scale activation.

After the price fluctuation in 2018, the main raw materials became stable in 2019, as the main suppliers for titanium dioxide, molybdenum, vanadium and other materials are relatively concentrated, and the Group is not an expert in bargaining with the suppliers, so the Group will seek new suppliers to reduce cost when possible.

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 2019, the Group completed catalyst proposals and quotations for 130 projects, among which, 15 were foreign (including Taiwan, India and Europe) projects. The Group has completed participating in 30 tenders formally and signed business contracts for 12 projects in total. The number of contracts and volume showed a slight increase in general as compared to last year. The following achievements are particularly noteworthy:

- In the first half of the year, the Group for the first time entered China Guodian Corporation, one of the five largest power producers. As for now, plate-type DeNOx catalysts have entered the five largest power producers and main local power companies, indicating the Company's reputation and the product quality have been highly recognized by the thermal power generation enterprises.

- In the first half of the year, the Group has entered into a small-scale contract with Formosa Plastic Mailiao Power Plant in the Taiwan market, and this power plant only used products from foreign enterprises. We would like to take this chance to have more opportunities for cooperation with Formosa Plastics Group Power Plant in the future.

- In the first half of the year, products of the Group achieved a major breakthrough in the aluminum project. Among the catalyst supply item projects for 23 sets of roasters for a well-known aluminium enterprise in China, the Group secured those for 18 sets of roasters.

- In the first half of the year, the Group has completed guidance work for onsite catalyst installation for 15 sets of machines in 13 power plants in total. These projects were all executed smoothly. It has completed preliminary acceptance reports for 8 sets of machines for 7 power plants and final acceptance reports for 5 sets of machines for 3 power plants in total in the first half of the year.

(2) Production management

The Group completed catalyst production for 26 projects in the first half of the year. The volume of catalyst production increased significantly as compared to the same period last year. At the same time, the Group focused on strengthening the following two aspects regarding production management in the first half of the year:

- Further improve its work on reducing staff and increasing efficiency

  Under the significant increase in the production volume of catalyst, the number of first-line production staff basically remained unchanged, lowering the labor cost of catalyst per unit.

- Carry out benchmark management with the industry

  Through understanding competing businesses in the industry, the Group learned further about advanced cost control methods in the industry. The Group strengthened its work on aspects such as raw material manufacturer development, quality control and process improvement, and has achieved better results. It is expected that the results will be reflected in the business information in the future.

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

1 Diesel-powered Vehicle Environmental Protection Products

The Group began to supply products to customers formally in the first half of the year, those of which were mainly coated catalyst products under the China V standards. Subject to the China VI standards to be executed by China soon, the total sales volume of China V products was limited.

Regarding the environmental protection products under vehicle China VI standards, the Group is currently communicating with customers such as major vehicle vendors and engine vendors in China in order to understand the needs of customers in the market, and to prepare for production and techniques. Overall, the products under China VI standards are brand new technology, formula and production process for the Group as it is completely different from the production techniques of plate-type and extrusion catalysts that the Group has mastered, and the difficulty of the techniques are much higher than that for industrial DeNOx catalysts and DeNOx catalysts under vehicle China V standards. Currently, the first round of suppliers that can provide products under China VI standards have already been specified for the main domestic vendors. These are mainly those with years of experience in supply in the vehicle industry and the foreign suppliers with stronger techniques, whereas a small number of domestic suppliers with over ten years in the industry are waitlisted. If the Group would like to enter the market under vehicle China VI standards, preparation work for all aspects is required to capture future customers that may consider changing suppliers to reduce costs.

2 The Group's key tasks in respect of catalysts for vessels (engines)

In general, the vessel (engine) catalysts market progressed slowly. Although the Group communicated with some customers, a real market demand is hard to establish at this stage. The engine catalyst market improved, but due to the operating environment, the combustion engine has extremely stringent requirements for the key physical performance indicators of the extruded catalyst products, which created great technical barriers. At present, the Group's products are still unable to fully meet the requirements of this technical standard. Extruded honeycomb catalyst products could be applied to other industrial fields, such as cement. Cement and other industries do not have the same stringent physical performance requirements as the combustion engine industry. The Group was also working hard to adjust the formulation and production process to meet the requirements of the cement industry.

Key work plans for the second half of 2019

(1) Market expansion for stationary-source DeNOx catalyst

The stationary-source DeNOx catalysts included DeNOx catalysts for industrial applications such as electricity, cement, metallurgy, and engines. The Group can provide two options for plate-type DeNOx catalysts and extruded honeycomb denitration catalysts for customers to choose. Going forward, the Group will adopt different market strategies in different markets:

1. At present, the power industry catalyst has entered a stable market structure, and the Group has tried its best to increase its expansion efforts and strive to obtain more sales contracts.

2. There is a trend of rapid growth in DeNOx catalyst for cement industry. The Group will give specific attention to actively communicate with customers and strive to achieve substantive breakthroughs as soon as possible.

3. With regard to catalyst used in metallurgical and combustion engine industry, the Group shall give appropriate attention and resources input with reference to the changes in the market as well as the Group's comprehensive capabilities of the market and technology.

(2) Market expansion for mobile-source DeNOx catalyst

Mobile-source DeNOx catalyst mainly includes DeNOx catalyst and other environmentally-friendly products used in commercial vehicles, non-road vehicles, construction machinery vehicles and shipping industry. The Group will adopt the following market strategies:

1. For DeNOx catalyst and other environmentally-friendly products used in the field of all vehicles, while continuing to perform the orders of China V products from customers, the Group will foster the research and development and trial production of China VI catalyst and related products, the Group will enhance technical exchange and business communication with customers, and always get prepared for potential market opportunities.

2. For the catalyst products for vessel, we will continue to maintain contact with customers, strive to seize the opportunity to provide technical exchanges to customers, provide product samples, and provide testing materials.

(3) New business expansion opportunities

Currently, the product structure of the Company is relatively monotonous, all of which are development businesses regarding products related to stationary-source and mobile-source catalysts. At present, apart from the stable catalyst market in the thermal power industry, other catalysts related products in other industries have just established, or there are extremely high technical thresholds, or customers have adopted foreign established companies as their first choice, which constitute higher barriers to competition for the Group and require a longer time to break through, and there are large operational risks as well. While looking forward to perform well in DeNOx catalyst for the above-mentioned industries, the Group will further adjust its strategy, pay attention to and seize new opportunities with an aim to quickly achieve better operating results.

FINANCIAL REVIEW

Revenue

The following table sets forth revenue generated from sale of plate-type DeNOx catalysts and DeNOx catalysts for diesel-powered vehicles in absolute amount and as percentages of total revenue for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Plate-type DeNOx catalysts	**13,334**	**84.7**	9,710	100.0
DeNOx catalysts for diesel-powered vehicles	**2,408**	**15.3**	–	–
Total	**15,742**	**100.0**	9,710	100.0

The Group recorded a total revenue of approximately RMB15.7 million for the six months ended 30 June 2019, representing an increase of 62.1% as compared to approximately RMB9.7 million of the same period in 2018.

Revenue generated from sales of plate-type DeNOx catalysts for the six months ended 30 June 2019 increased to approximately RMB13.3 million, representing an increase of 37.3% as compared to approximately RMB9.7 million of the same period in 2018, which was primarily attributable to (i) an increase in the average selling price of plate-type DeNOx catalysts per m^3 by approximately 14.3% as compared to the same period in 2018 which resulted from the selling price rebound; and (ii) the 20.2% increase in sales volume of plate-type DeNOx catalysts to 1,521 m^3 for the period under review from 1,226 m^3 of the same period in 2018. The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants.

During the period under review, the Group successfully launched DeNOx catalysts for diesel-powered vehicles (China V standard) products and recorded a revenue of approximately RMB2.4 million with gross profit margin of 54.3%.

Gross profit/(loss)

For the six months ended 30 June 2019, the Group recorded a gross profit of approximately RMB0.7 million which resulted from the selling price rebound of plate-type DeNOx catalysts and sales of DeNOx catalysts for diesel-powered vehicles (China V standard) products with higher profit margin. For the six months ended 30 June 2018, the Group recorded a gross loss of approximately RMB1.7 million as a result of continued vicious market competition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of consulting service expenses, transportation cost and employee benefit expenses, etc. For the six months ended 30 June 2019, the Group's selling and marketing expenses increased by 109.1% to approximately RMB6.3 million from approximately RMB3.0 million in the same period in 2018 due to the increase in the transportation cost as more shipments were provided during the period under review and increase in marketing staff costs.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortization, research and development expenses and professional fees. For the six months ended 30 June 2019, the Group's administrative expenses amounted to approximately RMB10.0 million, which was comparable to approximately RMB10.2 million of the same period in 2018.

Finance (costs)/income – net

Finance costs include interest expenses on lease liabilities and net foreign exchange losses on financing activities. Finance income includes interest income on cash and cash equivalents and restricted cash; and net foreign exchange gains on financing activities. The Group recorded finance costs of approximately RMB1.1 million for the six months ended 30 June 2019, which mainly represents the realised exchange losses arising from the conversion of Hong Kong dollars to Renminbi while it recorded finance income of approximately RMB0.5 million in the same period in 2018.

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 2019 increased by 21.1% to approximately RMB17.6 million from approximately RMB14.6 million in the same period in 2018.

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 2019, the Group had net current assets of approximately RMB204.7 million (31 December 2018: approximately RMB221.3 million) of which cash and cash equivalents were approximately RMB114.4 million (31 December 2018: approximately RMB145.4 million) and were denominated in RMB, US$, Euro€, and HK$.

The Group had no bank borrowings as at 30 June 2019 (31 December 2018: Nil).

The Group had no pledged assets as at 30 June 2019 (31 December 2018: Nil).

Use of net proceeds from the Listing

As at 30 June 2019, net proceeds not utilised of approximately RMB75.4 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 2019** *RMB'million*	**Balance as at 30 June 2019** *RMB'million*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	36.6	42
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	12.0	5.1
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	4.5	2.4
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	95.6	75.4

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 2019, the Group invested approximately RMB7.0 million (31 December 2018: RMB4.4 million) for purchase of property, plant and equipment and land use rights. These capital expenditures were financed by internal resources of the Group.

As at 30 June 2019, the Group did not have any capital commitments (31 December 2018: approximately RMB0.6 million).

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: 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 2019.

Save as disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Important events affecting the Group after the reporting period

No important events affecting the Group has taken place since 30 June 2019 and up to the date of this announcement.

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 2019. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Employees

As at 30 June 2019, the Group had 169 employees (31 December 2018: 160). Remuneration of the employees of the Group amounted to RMB8.7 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB7.3 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 2018. The Group's growth is dependent upon the skills and dedication of its 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 announcement, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for securities Transactions by Directors of Listed Issuers ("**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 2019.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2019, the Company complied with the applicable code provisions of the Corporate Governance Code 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 2018.

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 2019.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the 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 2019.

PUBLICATION OF 2019 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.china-denox.com) and the Stock Exchange's website (www.hkexnews.com.hk). The Company's 2019 Interim Report will be made available on the websites of the Company and Stock Exchange and will be despatched to the Company's shareholders in due course.

By Order of the Board
Denox Environmental & Technology Holdings Limited
Zhao Shu
Chairlady

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Ms. Zhao Shu, Mr. Kong Hongjun and Mr. Li Ke as executive Directors; Mr. Li Xingwu and Mr. Teo Yi-Dar as non-executive Directors; and Mr. Li Min, Mr. Lam Yiu Por and Mr. Ong Chor Wei as independent non-executive Directors.