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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Denox Environmental & Technology Holdings Limited (the "**Company**") hereby presents the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**") together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue from contracts with customers	*3*	**61,540**	54,436
Cost of sales	*4*	**(54,880)**	(58,283)
Gross Profit/(loss)		**6,660**	(3,847)
Selling and marketing expenses	*4*	**(10,842)**	(8,895)
Administrative expenses	*4*	**(34,915)**	(28,084)
Research and development expenses	*4*	**(5,087)**	(3,740)
Net reversal of impairment losses on financial assets		**6,456**	1,517
Other gains-net	*5*	**607**	13
Operating loss		**(37,121)**	(43,036)
Finance income	*6*	**552**	3,819
Finance costs	*6*	**(1,816)**	–
Finance income/(costs)-net		**(1,264)**	3,819
Loss before income tax		**(38,385)**	(39,217)
Income tax expenses	*7*	**(656)**	(239)
Loss for the year		**(39,041)**	(39,456)
Other comprehensive income			
Items that may be reclassified to consolidated statement of comprehensive income:			
Currency translation differences		**1,462**	3,260
Other comprehensive income for the year		**1,462**	3,260
Total comprehensive loss for the year		**(37,579)**	(36,196)
Income/(Loss) attributable to:			
– Shareholders of the Company		**(40,058)**	(39,716)
– Non-controlling interests		**1,017**	260
		(39,041)	(39,456)
Total comprehensive income/(loss) attributable to:			
– Shareholders of the Company		**(38,596)**	(36,456)
– Non-controlling interests		**1,017**	260
		(37,579)	(36,196)
Loss per share attributable to shareholders of the Company (expressed in RMB per share)			
Basic and diluted loss per share	*8*	**(0.08)**	(0.08)

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**42,375**	47,825
Right-of-use assets		**17,204**	–
Land use rights		**–**	15,334
Intangible assets		**3,758**	12,129
Long-term prepayments		**140**	1,768
Restricted cash		**–**	1,901
Total non-current assets		**63,477**	78,957
Current assets			
Inventories	*10*	**59,925**	40,629
Trade receivables	*11*	**33,255**	49,717
Financial assets at fair value through other comprehensive income		**18,714**	6,569
Prepayments, deposits and other receivables		**9,190**	13,597
Restricted cash		**2,118**	889
Cash and cash equivalents		**125,415**	145,424
Total current assets		**248,617**	256,825
Total assets		**312,094**	335,782
LIABILITIES			
Non-current liabilities			
Lease liabilities		**535**	–
Deferred income		**–**	10
Deferred income tax liabilities		**1,550**	1,811
Total non-current liabilities		**2,085**	1,821
Current liabilities			
Trade payables	*12*	**6,849**	3,822
Lease liabilities		**1,045**	–
Contract liabilities		**23,764**	10,147
Accruals and other payables		**10,440**	15,009
Current income tax liabilities		**7,380**	6,511
Total current liabilities		**49,478**	35,489
Total liabilities		**51,563**	37,310
Net assets		**260,531**	298,472

	Note	2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**31,506**	31,596
Treasury stock		**(362)**	(635)
Share premium		**850,103**	850,648
Capital reserves		**(552,410)**	(552,410)
Other reserves		**34,909**	33,164
Accumulated losses		**(117,577)**	(77,236)
		246,169	285,127
Non-controlling interests		**14,362**	13,345
Total equity		**260,531**	298,472
Total equity and liabilities		**312,094**	335,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 is an investment holding company and its subsidiaries are principally engaged in design, development and manufacture of DeNOx catalysts in the People's Republic of China (the "**PRC**"). The ultimate holding company of the Group is Advant Performance Limited, a company incorporated in the British Virgin Islands ("**BVI**") which is wholly-owned by Ms. Zhao Shu.

On 12 November 2015, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention, except for certain financial assets, which are carried at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

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 2.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 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 2.2(a) and Note 2.2(b) 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.

(a) Adjustments Recognized 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 re-measurements 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 recognised 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 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 accumulated deficits 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.

(b) The Group's Leasing Activities And How These Are Accounted For

The Group is a lessee of various offices. 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 31 December 2018, 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.

(c) 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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales of plate-type DeNOx catalysts	**53,894**	54,280
Sales of DeNOx catalysts for diesel-powered vehicles	**5,829**	156
Replacement services	**1,749**	–
Others	**68**	–
	61,540	54,436
Timing of revenue recognition		
– At a point in time	**61,540**	54,436

For the years ended 31 December 2019 and 2018, revenue from certain individual customer accounted for 10 percent or more of the Group's total revenue for the respective year. The revenue of these customers are summarised below:

	Year ended 31 December	
	2019	2018
Customer A	**23.16%**	n.a.
Customer B	**13.05%**	14.76%
Customer C	**10.72%**	n.a.

The Group has recognised following liabilities related to contracts with customers:

	As at 31 December 2019	As at 31 December 2018
Advances from customers – sale of plate-type DeNOx catalysts	**23,764**	10,147

The following table shows how much of the revenue recognised for the year ended 31 December 2019 related to carried-forward contract liabilities:

	Year ended 31 December 2019
Advances from customers – sale of plate-type DeNOx catalysts	**6,850**

4. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Changes in work in progress, finished goods and goods in transit	**(20,512)**	(7,808)
Raw materials consumed and consumable used	**57,092**	47,278
Employee benefit expenses	**17,898**	15,395
Impairment losses of property, plant and equipment and intangible assets (excluding goodwill)	**14,883**	10,286
Depreciation and amortisation	**9,026**	7,649
Research and development expenses	**5,087**	3,740
Utilities charges and office expenses	**3,909**	4,022
Professional service fees	**3,741**	2,250
Transportation and warehouse expense	**3,556**	3,742
Consulting service fees	**3,159**	2,020
Travelling, communication and entertainment expenses	**2,828**	2,485
Auditor's remuneration	**1,700**	1,650
Stamp duty, property tax and other surcharges	**1,016**	928
Bidding service expenses	**794**	830
Operating lease rentals	**215**	904
Conference fee	**90**	30
Provision for warranty	**521**	428
Inventory write-down *(Note 10)*	**(361)**	1,748
Others	**1,082**	1,425
	105,724	99,002

5. OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Government grants *(a)*	**721**	164
Net foreign exchange losses	**(86)**	(115)
Losses on disposal of property, plant and equipment	**–**	(30)
Others	**(28)**	(6)
	607	13

(a) This amount represented the subsidy income granted to the Company by the government in Hebei, the PRC.

6. FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
Interest income on cash and cash equivalents and restricted cash	**552**	472
Net foreign exchange gains on financing activities	**–**	3,347
	552	3,819
Finance costs		
Net foreign exchange losses on financing activities	**(1,765)**	–
Interest expenses on lease liabilities	**(51)**	–
	(1,816)	–
Finance income/(costs) – net	**(1,264)**	3,819

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
Current income tax expenses	**917**	793
Total current tax expenses	**917**	793
Deferred income tax		
Decrease in deferred tax liabilities	**(261)**	(554)
Total deferred tax benefits	**(261)**	(554)
Income tax expenses	**656**	239

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loss before income tax	**(38,385)**	(39,217)
Tax calculated at domestic tax rate applicable to profits in the PRC (25%)	**(9,596)**	(9,804)
Tax effects of:		
Different tax rates applicable to different tax jurisdiction	**1,341**	1,244
Preferential tax benefits in the PRC	**3,433**	3,631
Tax losses for which no deferred income tax asset was recognised	**4,815**	5,447
Utilisation of previously unrecognised deductible temporary difference	**(2,294)**	(1,806)
Deductible temporary difference for which no deferred income tax asset was recognised	**2,795**	1,431
Expenses not deductible for tax purpose – Entertainment	**162**	96
Income tax expenses	**656**	239

(a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% for all the years presented. No Hong Kong tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2019 and 2018.

(c) PRC corporate income tax

Enterprises incorporated in the PRC are generally subject to income tax rates of 25% throughout all the years presented except for enterprises with approval for preferential rate.

Beijing Denox and Gu'an Denox qualified as "New High-tech Enterprise" under the CIT Law in 2018. Accordingly, they were entitled to a preferential EIT rate of 15% for a three-year period since the qualification day. The applicable EIT rate of both entities was 15% in 2019.

(d) PRC withholding income tax

Pursuant to the applicable PRC tax regulations, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group has not provided for these withholding income taxes on the profit generated from the PRC Subsidiaries during the year ended 31 December 2019 as the directors have confirmed that the Group will reinvest the retained earnings of the PRC Subsidiaries in the foreseeable future.

8. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to shareholders of the company
- by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 December	
	2019	2018
Loss attributable to shareholders of the Company (RMB'000)	**(40,058)**	(39,716)
Weighted average number of ordinary shares in issue (thousand shares)	**495,303**	498,978
Basic loss per share attributable to the shareholders of the Company (cents)	**(8)**	(8)

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

9. DIVIDENDS

No dividend has been declared or paid by the companies now comprising the Group during the years ended 31 December 2019 and 2018.

10. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Raw materials	**14,675**	14,534
Work-in-progress	**818**	4,716
Finished goods	**17,510**	10,814
Goods in transit	**26,922**	10,565
	59,925	40,629

Inventories recognised as cost of sales during the year ended 31 December 2019 amounted to RMB54,682,000 (2018: RMB56,165,000).

Reversal of write-downs of inventories to net realisable value amounted to RMB361,000 for the year ended 31 December 2019 (2018: provision for inventories write-down: RMB1,748,000). These were recognised as cost of sales in consolidated statement of comprehensive income.

11. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**36,155**	59,073
Less: allowance	**(2,900)**	(9,356)
	33,255	49,717

Trade receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
RMB	**35,926**	56,329
US$	**49**	2,564
EUR€	**180**	180
	36,155	59,073

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**23,472**	29,377
1 year to 2 years	**9,378**	10,572
2 years to 3 years	**2,657**	13,081
Over 3 years	**648**	6,043
	36,155	59,073

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

12. TRADE PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Third party	**6,849**	3,822

Ageing analysis of trade payables based on invoice date as at 31 December 2019 and 2018 was as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**6,698**	3,558
6 months to 1 year	**39**	–
1 to 2 years	**–**	124
Over 2 years	**112**	140
	6,849	3,822

As at 31 December 2019 and 2018, all trade payables were denominated in RMB.

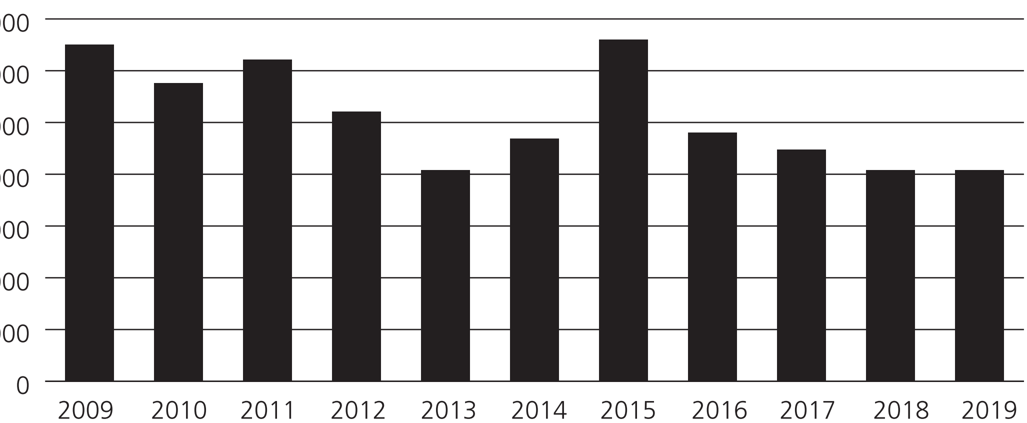
BUSINESS REVIEW

(I) Plate-type DeNOx catalysts

1. Business landscape of the plate-type catalyst industry

By the end of 2019, China's installed power-generating capacity reached 2,010.66 million kw, representing an increase of 5.8% year-on-year. Among which, the installed capacity of thermal power was 1,190.55 million kw, accounting for 59.2% of the total installed capacity; and the installed capacity of thermal power increased by 40.92 million kw, still remaining at a low level.

Growth of Installed Electricity Capacity in China from 2009 to 2019 (Thermal Power) (ten thousand kw)



The above data shows that the market capacity of plate-type DeNOx catalysts in 2019 had no big change from the previous year, and the newly added installed capacity of the thermal power industry generally demonstrated a downward trend. The catalyst market of the thermal power industry was mainly derived from the normal replacement of catalysts stored in thermal power plants. The catalyst market will enter into the new stage of norm for a long time as we have previously estimated.

Due to compliance with relevant environmental protection requirements in China, the DeNOx catalyst market of other industrial sectors such as metallurgy and cement industries continued to experience rapid growth in 2019. However, the above non-electrical industries are much different from the thermal power industry in operating conditions, which also have new requirements for DeNOx catalysts in terms of type, formula and technical parameters, and the Group is required to conduct technological development for relevant products accordingly. The Group had no previous results of investment and operations in the non-electrical industry, which will bring about opportunities but also challenges to the Group.

2. *The Group's key work in respect of plate-type catalyst products*

(1) Marketing and after-sale services

In 2019, the price of DeNOx catalysts in the power industry continued to be stabilized and rebound. The Marketing Department completed catalyst technical proposals for over 230 projects; and submitted 57 official bids with clients such as power generation groups and local power plants, among which 24 supply contracts (including those for the project awarded through invitation to tenders) were entered into in 2019. The contract value for 2019 continued to increase when compared with 2018. It is worth noting that the Group has won two bundling tender projects of more than 1,000 m^3 from China Huaneng Group Co., Ltd. and Shandong Weiqiao Group.

In 2019, the Group has obtained preliminary acceptance of 18 generating units in 15 power plants and final acceptance of 14 generating units in 7 power plants, while the closed loop projects involving 25 generating units in 13 power plants have been completed throughout the year (subject to receipt of all the contract payment).

(2) Products Production

In 2019, the Group completed production of catalysts for 39 projects, the completion rate of both production plan and delivery of goods were 100%. In the circumstance of almost no increase in the number of employees for plate-type business, through the continuous improvement of the performance appraisal system of the workshop to mobilize the enthusiasm of employees, the output increased significantly as compared to 2018 on the premise of ensuring quality.

In 2019, the Group continued to take various measures to reduce product manufacturing costs and product inventory, resulting in positive effect by the end of 2019, which is expected to be further reflected in the operating data for 2020.

(II) Honeycomb catalysts

1. In view of the fact that the catalysts for vessels (engines) have not formed a mass market, the Group has adjusted the market direction of honeycomb catalysts to non-electrical industries such as metallurgy and cement sectors as well as the field of gas generator sets. The Group has contacted and communicated with non-electrical customers to better understand customer needs, and obtained some small-scale orders, laying the foundation for marketing in 2020; and

2. In 2019, the Group already had large-scale production capacity for honeycomb catalyst products, of which the production process has been further improved and the qualification rate has been significantly enhanced.

(III) DeNOx catalysts for diesel-powered vehicles and natural gas-powered vehicles

1. In 2019, the Group successfully developed customers for the catalysts for diesel-powered vehicles under China V standards, and obtained sustained and stable orders throughout the year. The Group's catalyst products under China V standards have won the trust of customers for their stable quality and high qualification rate;

2. In 2019, the Group developed catalyst products for natural gas-powered vehicles under China VI standards. Based on the comparative analysis on the products of the Group made by third-party testing agencies and customers, it is believed that the Group's catalyst products for natural gas-powered vehicles have good quality. At present, the cooperation between the Group and customers has entered the stage of announcement and business negotiation, which will be an important milestone for the Group in the field of China VI vehicles; and

3. In 2019, the Group developed several categories of catalyst products for China VI diesel-powered vehicles and non-road vehicles, and communicated with many domestic automobile factories, diesel engine factories and non-road vehicle manufacturers on product and system solutions. The Group purchased various research and development equipment and small-scale production equipment to lay the foundation for obtaining orders in the future.

KEY WORK ARRANGEMENTS FOR 2020

(I) Plate-type and honeycomb DeNOx catalysts

1. Increase marketing efforts in the power industry, recruit additional sales staff to enrich the sales team, and establish regional sales center on a trial basis to enhance regional marketing;

2. In 2019, the Group has done a lot of market work in the non-electrical field, but has not achieved a substantial market breakthrough. In 2020, the Group will continue to strengthen the marketing efforts in the field of metallurgy, cement and gas generator set on the premise of ensuring product quality;

3. In order to better control the quality and cost of honeycomb catalyst products, the Group will take various ways to establish technical cooperation with other companies in various aspects such as production technology and production process; and

4. On the basis of 2019, the Group will continue to tap potential in depth, continue to reduce the unit production cost of products through the improvement of production processes and production technologies, and strive to ensure the gross margin level of plate-type catalyst products.

(II) Catalysts for diesel-powered vehicles and vessel (engine)

1. China V vehicle catalysts

Due to the delay in the introduction of China VI emission regulations, there will still be a small amount of China V catalyst markets in 2020. The Group will continue to provide customers with stable quality products, maintain normal gross profit levels, and minimize the financial pressure in the research and development and investment period of China VI products.

2. Catalysts for China VI vehicle systems

2020 is a crucial year for the Group to lay a solid foundation for our China VI products, the Group will take following measures in this regard:

(1) Speed up the procurement of large-scale production line equipment and carry out installation and commissioning as early as possible, so as to enable the Group to meet the conditions for customer inspections as early as possible;

(2) The Group's catalyst products for natural gas-powered vehicles have stable quality and thus a certain market advantage. The Group will, on the basis of completing the sample delivery and product testing, seize the time to conduct announcement on acquisition and order negotiation, and strive for a breakthrough in obtaining the first order as early as possible; and

(3) Continue to carry out the research and development, trial production, testing and customer communication on the catalysts products for China VI diesel-powered vehicles and China IV non-road vehicles, and deeply understand customer needs and dynamics of the peers both at home and abroad to seek competitive opportunities.

(III) Continue to carry out merger, acquisition and re-organization in the energy saving and environmental protection sector

In addition to the industrial denitration catalyst and vehicle catalyst product series, the Group will continue to seek opportunities regarding merger, acquisition and re-organization in energy conservation, environmental protection and other related sectors, to reduce the Group's risk of relying on a single product.

FINANCIAL REVIEW

Revenue from contracts with customers

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 years indicated:

	2019		**2018**	
	RMB'000	*%*	*RMB'000*	*%*
Plate-type DeNOx catalysts	**53,894**	**87.6**	54,280	99.7
DeNOx catalysts for diesel-powered vehicles	**5,829**	**9.5**	156	0.3
Others	**1,817**	**2.9**	-	-
Total	**61,540**	**100.0**	54,436	100.0

The Group recoded a total revenue of approximately RMB61.5 million in 2019, representing an increase of 13.1% as compared to approximately RMB54.4 million in 2018.

Revenue generated from sales of plate-type DeNOx catalysts remained stable in approximately RMB54 million in both years 2018 and 2019. The average selling price of plate-type DeNOx catalysts per m^3 increased by approximately 13.2% from RMB8,406 per m^3 in 2018 to RMB9,521 per m^3 in 2019, while the sales volume of plate-type DeNOx catalysts decreased by approximately 12.3% from 6,455 m^3 in 2018 to 5,658 m^3 in 2019. The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants in 2019.

In 2019, the Group began to supply DeNOx catalysts for diesel-powered vehicles (China V standard) products to customer and recorded a revenue of approximately RMB 5.8 million with gross profit margin of 26.0%. Subject to the China VI standards to be executed in China soon, the total sales of China V standard products was limited. The Group will foster the research and development and trial production of China VI catalyst and related products.

Gross profit/(loss)

In 2019, the Group recorded a gross profit of approximately RMB6.7 million 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. In 2018, the Group recorded a gross loss of approximately RMB3.8 million as a result of continued vicious market competition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation cost, consulting service expenses and employee benefit expenses, etc. The Group's selling and marketing expenses remained relatively stable in 2018 and 2019, representing 16.3% and 17.6% of the Group's total revenue from contracts with customers in 2018 and 2019, respectively.

Administrative expenses

Administrative expenses mainly consist of impairment losses of machinery and technical know-how, employee benefit expenses, depreciation and amortisation. The Group's administrative expenses increased by 24.3% from approximately RMB28.1 million in 2018 to approximately RMB34.9 million in 2019 which was primarily attributable to the increase in the impairment losses of of machinery and technical know-how for DeNOx catalysts for diesel-powered vehicles and vessels business from approximately RMB8.3 million in 2018 to approximately RMB13.9 million in 2019.

Finance income/costs (net)

Finance income includes interest income on cash and cash equivalents and restricted cash; and net foreign exchange gains on financing activities. Finance costs includes interest expenses on lease liabilities and net foreign exchange losses on financing activities. The Group recorded a net finance costs of approximately RMB1.3 million in 2019, which mainly represents the realised exchange losses arising from the conversion of Hong Kong dollars to Renminbi while it recorded a net finance income of approximately RMB3.8 million in 2018 which mainly represents RMB3.3 million foreign exchange gains mainly from cash and cash equivalents denominated in Hong Kong dollars and United States dollars due to the depreciation of Renminbi in 2018.

Loss attributable to the shareholders of the Company

As a result of the foregoing, the loss attributable to the shareholders of the Company increased by 0.9% from approximately RMB39.7 million in 2018 to approximately RMB40.1 million in 2019.

Other performance indicators

The following table sets forth other performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended 31 December	
	2019	2018
Current Ratio *(Note 1)*	**5.0 times**	7.2 times
Quick Ratio *(Note 2)*	**3.8 times**	6.1 times
Return on equity *(Note 3)*	**N/A**	N/A
Return on total assets *(Note 4)*	**N/A**	N/A

Notes:

(1) Current ratio is calculated based on total current assets of the Group divided by total current liabilities of the Group as at the end of the respective year.

(2) Quick ratio is calculated based on total current assets of the Group less inventories of the Group divided by total current liabilities of the Group as at the end of the respective year.

(3) Return on equity is calculated by dividing income attributable to shareholders of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to shareholders of the Company.

(4) Return on total assets is calculated by dividing income attributable to shareholders of the Company for the year by the arithmetic mean of the opening and closing balance of total assets of the Group.

Current ratio and quick ratio

The Group's current ratio decreased from 7.2 times as at 31 December 2018 to 5.0 times as at 31 December 2019 and quick ratio decreased from 6.1 time as at 31 December 2018 to 3.8 times as at 31 December 2019. Such decrease was mainly due to the increase in down payment from customers of approximately RMB10.1 million as at 31 December 2018 to approximately RMB23.8 million as at 31 December 2019 because more sales contracts were awarded in the second half of 2019.

Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2018 and 2019, as it has recorded a loss attributable to the shareholders of the Company for the years ended 31 December 2018 and 2019.

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 31 December 2019, the Group had net current assets of approximately RMB199.1 million (2018: approximately RMB221.3 million) of which cash and cash equivalents were approximately RMB125.4 million (2018: approximately RMB145.4 million) and were denominated in RMB, US$, HK$ and Euro€ as at 31 December 2019.

On 12 November 2015, the Company successfully listed its shares on the Main Board of the Stock Exchange (the "**Listing**") and allotted and issued 125,000,000 shares at HK$2.10 in relation to its initial public offering (the "**Initial Public Offering**"). Net proceeds from the Initial Public Offering (after deducting the underwriting fees and related expenses) amounted to approximately RMB171.0 million. The success of the Listing marked a new milestone and granted the Group an access to the international capital markets. As a result, the Group now has the financial agility to capture additional growth opportunities in the DeNOx catalyst industry.

Use of net proceeds from the Listing

As at 31 December 2019, net proceeds not utilised of approximately RMB68.3 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 prospectus of the Company dated 30 October 2015.

	Planned Amount	**Amount utilised up to 31 December 2019**	**Balance as at 31 December 2019**
	RMB'million	*RMB'million*	*RMB'million*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	43.4	35.2
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 in Europe	6.9	4.8	2.1
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	102.7	68.3

Borrowings

The Group had no outstanding bank loans and other borrowings as at 31 December 2018 and 2019.

Capital expenditure

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the year ended 31 December 2019, the Group had invested approximately RMB9.9 million for the purchase of property, plant and equipment (2018: approximately RMB4.4 million). These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 31 December 2019, the Group had capital commitment amounted to approximately RMB2.0 million for capital contribution to an associate company, Langfang Denox Environmental & Technology Co., Ltd., which is principally engaged in development and manufacture of DeNOx catalysts for vehicles. As at 31 December 2018, the Group had capital commitment amounted to approximately RMB0.6 million for acquisition of property, plant and equipment.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2018 and 2019.

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 Reporting Period.

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 31 December 2019 and up to the date of this announcement.

Employees

As at 31 December 2019, the Group had 165 employees (2018: 160). 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 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. 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 training 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.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 12 June 2020 (the "**Annual General Meeting**"), the register of members of the Company will be closed from 8 June 2020 to 12 June 2020, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company bought back a total of 1,312,000 shares of the Company on the Stock Exchange. All the shares bought back by the Company has been subsequently cancelled. Details of those transactions are as follows:

Month of buy-back	Number of shares bought back	Price Per Share Highest	Price Per Share Lowest	Aggregate price
		HK$	*HK$*	*HK$*
December 2019	1,312,000	0.330	0.223	402,239

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to high standards of corporate governance and recognises that good corporate governance is important for the long-term success of the Company's business.

During the Reporting Period, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") with the exception of code provision A.2.1 as set out below.

According to code provision A.2.1 of the CG Code, the role of the chairman and chief executive of the Company should be separate and should not be performed by the same individual. In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Ms. Zhao Shu, who is also the chairlady of the Company; and (b) Ms. Zhao Shu is the chairlady of the Group and has extensive experience in the business operation and management of the Group in general, there is no separation of the roles of the chairlady and the chief executive officer of the Company. Given the current stage of the development of the Group, 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.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining high standards of corporate governance.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Lam Yiu Por, Mr. Li Min and Mr. Ong Chor Wei. Mr. Lam Yiu Por is the chairman of the Audit Committee, who possesses suitable professional qualifications. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2019 in conjunction with the Company's auditors and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF 2019 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.china-denox.com) and the Stock Exchange's website (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2019 and notice of the forthcoming annual general meeting will be made available on the websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 27 March 2020

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. Lam Yiu Por, Mr. Li Min and Mr. Ong Chor Wei as independent non-executive Directors.