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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 2020

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 2020 (the “**Period**”) together with comparative figures for the corresponding period of 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Revenue	7	22,459	15,742
Cost of sales		<u>(18,689)</u>	<u>(15,046)</u>
Gross profit		<u>3,770</u>	<u>696</u>
Selling and marketing expenses		(2,979)	(6,340)
Administrative expenses		(5,718)	(9,944)
Other gains – net	8	275	102
Finance income	9	147	445
Finance costs	9	<u>(186)</u>	<u>(1,583)</u>
Loss before income tax		(4,691)	(16,624)
Income tax credit/(expenses)	10	<u>89</u>	<u>(397)</u>
Loss for the period		<u>(4,602)</u>	<u>(17,021)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		<u>1,259</u>	<u>263</u>
Other comprehensive income for the period		<u>1,259</u>	<u>263</u>
Total comprehensive loss for the period		<u>(3,343)</u>	<u>(16,758)</u>
Profit/(Loss) for the period attributable to:			
– Owners of the Company		(4,631)	(17,643)
– Non-controlling interests		<u>29</u>	<u>622</u>
		<u>(4,602)</u>	<u>(17,021)</u>
Total comprehensive (expense)/income attributable to:			
– Owners of the Company		(3,372)	(17,380)
– Non-controlling interests		<u>29</u>	<u>622</u>
		<u>(3,343)</u>	<u>(16,758)</u>
Losses per share (expressed in RMB per share)			
Basic and diluted losses per share	11	<u>(0.009)</u>	<u>(0.036)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		40,879	42,375
Right-of-use assets		17,029	17,204
Intangible assets		3,317	3,758
Interest in an associate		600	–
Long-term prepayments		21	140
Total non-current assets		61,846	63,477
Current assets			
Inventories	12	71,999	59,925
Trade receivables	13	30,954	33,255
Financial assets at fair value through other comprehensive income		17,342	18,714
Prepayments, deposits and other receivables		17,439	9,190
Restricted cash		2,585	2,118
Cash and cash equivalents		118,246	125,415
Total current assets		258,565	248,617
Total assets		320,411	312,094

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		535	535
Deferred income tax liabilities		1,420	1,550
Total non-current liabilities		1,955	2,085
Current liabilities			
Trade payables	14	8,873	6,849
Lease liabilities		1,045	1,045
Advances from customers		37,738	23,764
Accruals and other payables		6,167	10,440
Current income tax liabilities		7,445	7,380
Total current liabilities		61,268	49,478
Total liabilities		63,223	51,563
Net assets		257,188	260,531
EQUITY			
Equity attributable to owners of the Company			
Share capital		31,423	31,506
Treasury stock		–	(362)
Reserves		211,374	215,025
		242,797	246,169
Non-controlling interests		14,391	14,362
Total equity		257,188	260,531
Total equity and liabilities		320,411	312,094

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 28 August 2020.

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 2020 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 2019 and any public announcements made by the Company during the interim reporting period.

3. APPLICATION OF NEW AND REVISED IFRS

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2019 (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 International Financial Reporting Standards (“**IFRS(s)**”) effective for the financial year ending 31 December 2020.

(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:

- Amendments to IFRS 3, Definition of a Business;
- Amendments to IAS 1 and IAS 8, Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform;
- Amendments to IFRS 16 COVID-19-Related Rent Concessions; and
- Revised Conceptual Framework for Financial Reporting.

The directors of the Company are of the opinion that the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. 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 expenses. 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 2019.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 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.

6. 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.

7. REVENUE FROM CONTRACT WITH CUSTOMERS

	Six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Sales of plate-type DeNOx catalysts	18,932	13,334
Sales of DeNOx catalysts for diesel powered vehicles	<u>3,527</u>	<u>2,408</u>
	<u>22,459</u>	<u>15,742</u>

8. OTHER GAINS – NET

	Six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Government grants	329	110
Net foreign exchange losses	(51)	(5)
Others	<u>(3)</u>	<u>(3)</u>
	<u>275</u>	<u>102</u>

9. FINANCE INCOME/(COSTS)

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest income on cash and cash equivalents and restricted cash	<u>147</u>	<u>445</u>
Finance costs		
Interest expenses on lease liabilities	(25)	(25)
Net foreign exchange losses on financing activities	<u>(161)</u>	<u>(1,558)</u>
	<u>(186)</u>	<u>(1,583)</u>

10. INCOME TAX (CREDIT)/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% (2019: 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% (2019: 25%).

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax expenses	41	527
Deferred income tax	(130)	(130)
	<u>(89)</u>	<u>397</u>

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 2020 is -5.81% and 16.5%, respectively (2019: -5.81% and 16.5%, respectively).

11. LOSSES PER SHARE

(a) Basic losses per share

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(4,631)	(17,643)
Weighted average number of ordinary shares in issue (thousand shares)	<u>495,303</u>	<u>495,349</u>
Basic losses per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u>(0.009)</u>	<u>(0.036)</u>

(b) Diluted losses per share

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 2020 and 2019, the Group had no potentially dilutive ordinary shares in issue.

12. INVENTORIES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Raw materials	19,364	14,675
Work-in-progress	3,591	818
Finished goods	10,672	17,510
Goods in transit	38,372	26,922
	<u>71,999</u>	<u>59,925</u>

For the six months ended 30 June 2020, the cost of inventories recognised as expenses and included in “cost of sales” amounted to approximately RMB18,641,000 (The six months ended 30 June 2019: RMB14,478,000).

13. TRADE RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	32,672	36,155
Less: provision for impairment	<u>(1,718)</u>	<u>(2,900)</u>
	<u>30,954</u>	<u>33,255</u>

Aging analysis of gross trade receivables based on the date of revenue recognition at the respective balance sheet dates is as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	26,366	23,472
1 year to 2 years	4,123	9,378
2 years to 3 years	1,535	2,657
Over 3 years	648	648
	<u>32,672</u>	<u>36,155</u>

14. TRADE PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Third party	<u>8,873</u>	<u>6,849</u>

Ageing analysis of trade payables based on invoice date as at 30 June 2020 and 31 December 2019 was as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 6 months	8,366	6,698
6 months to 1 year	460	39
1 to 2 years	-	-
Over 2 years	<u>47</u>	<u>112</u>
	<u>8,873</u>	<u>6,849</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of plate-type and honey-comb DeNOx catalysts in the People's Republic of China (the "PRC"). During the Period, there were no significant changes in the nature of the Group's principal activities.

Work overview of the Company for the first half of 2020

(I) Plate-type and Honeycomb DeNOx catalysts

1 Current market situation

- (1) China's thermal power industry has been operating at a low level in recent years. The catalyst market of the thermal power industry is still mainly derived from the normal replacement of catalysts in the existing thermal power plants.
- (2) In addition to China's thermal power industry, other industrial markets, including metallurgy, cement, gas turbines, waste-to-energy, etc., were affected by the novel coronavirus ("COVID-19") epidemic, and the market size decreased significantly than expected in the first half of the year, but the overall market size shall not be affected too much, and there will be some delay in time.
- (3) The ship engine catalyst market has not yet formed a scale, and the small product market in the early stage still mainly considers purchasing foreign honeycomb catalysts.

2 The Group's key work on Plate-type and Honeycomb catalyst products

- (1) In the first half of 2020, the price of DeNOx catalysts continued to remain at a normal level. The marketing department completed the catalyst technical solutions of 140 projects, and completed 57 official bids for power generation groups and local power customers. A total of 16 supply contracts were signed as of July 2020. Due to the severe COVID-19 epidemic situation in the first half of the year, it was not easy to achieve the above marketing results. As of the end of June 2020, the Group completed the initial acceptance of 10 units in 8 power plants in the first half of the year, and completed the final acceptance of 15 customers and the recovery of all contract payments.

The notable work of the Group for market segment in the first half of 2020 is as follows:

- At the beginning of the year, the Group obtained an export order of honeycomb catalysts from Italy and delivered it smoothly, making a good start for the marketing of honeycomb catalyst products;
- At the beginning of the year, the Group obtained a bundled bidding order for the flat catalyst of China Huaneng Group Co., Ltd, which laid the foundation for the marketing and product manufacturing of the Group throughout the year; and
- The Group obtained certain export orders of honeycomb catalysts from Vietnam in the middle of the year, marking that the Group's efforts in honeycomb catalyst products have truly been recognised by international customers.

(2) Product manufacturing

At the beginning of the first half of 2020, the order volume was insufficient and it was very difficult to commence production due to the impact of the COVID-19 epidemic. The production then was gradually increased until it basically recovered in June 2020. The Group completed the catalyst production tasks for 19 projects and shipped 18 projects in the first half of the year. The production load of the Company is expected to increase in the next few months.

The effect of reducing product manufacturing costs and reducing product inventory that the Group has been taking in recent years appeared in 2020, and the gross profit margin of the Group's flat catalysts has been significantly improved.

In the first half of 2020, based on the needs of strategic adjustments, the Group further expanded its production capacity on the basis of the large-scale production capacity of honeycomb catalyst products. It is expected that the production capacity of honeycomb catalysts will be significantly increased by the end of the year to satisfy the needs of the Group to explore the honeycomb catalyst market in industries such as electric power, metallurgy, cement, and waste-to-energy.

(II) DeNOx catalyst business for diesel and natural gas-powered vehicles

1. In the first half of the year, the Group continued to maintain the orders from customers with China V vehicle catalysts used by diesel-powered vehicles and keep stable product quality, and continued to maintain good cooperative relations with customers.
2. In the first half of the year, the Group continued to develop China VI catalyst products for natural gas-powered vehicles. The quality of natural gas catalyst products steadily improved. The Group has obtained the first announcement of natural gas catalyst products and is negotiating a small-scale supply order, which realized an important development milestone of such product.

3. In the first half of the year, the Group continued to develop other non-road catalyst products, and continued to communicate with many domestic automobile manufacturers, diesel engine manufacturers, and non-road manufacturers with regard to product and system solutions.
4. In the first half of the year, the various production equipment purchased by the Group arrived at our factory one after another. In the second half of the year, the Group will continue to make preparations for trial production and large-scale production.

Key work plans of the Group for the second half of 2020

(I) Plate-type and Honeycomb DeNOx catalysts business

1. Against the background of the global impact of the COVID-19 epidemic, it is not easy for the Group to basically maintain the business stability with the efforts of all employees in the first half of the year. The Group will continue to strengthen the marketing of plate and honeycomb catalysts based on the established policy in the second half of the year, and explore and verify the actual operation effect of setting up regional sales offices; and
2. To continue to strength the Group's achievements in cost reduction and inventory reduction of plate and honeycomb catalyst products, the Group also shall create a working atmosphere for all employees to reduce the costs of product production from the incentive and salary system.

(II) Catalysts for diesel-powered vehicles and natural gas-powered vehicles

1. China V vehicle catalysts

Due to the delay in the introduction of China VI emission regulations, there still be a small amount of China V catalyst markets.

However, the implementation of China VI emission regulations is approaching. The Group adopts a defensive market strategy on China V catalyst products and no longer reserves China catalyst inventory to avoid losses due to the inability to achieve sales when the regulations are switched.

2. Catalysts for China VI vehicle systems

In the second half of 2020, the Group will strengthen the work related to the following vehicle catalyst products:

- (1) Speed up to test and install production equipment, and enter the trial production of related products as early as possible;

- (2) The catalyst products of the Group for natural gas-powered vehicles have stable quality and thus own certain market advantage. On the basis of completing the sample delivery and product testing, the Group will 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) Under the current complex economic situation, the Group shall further carry out strategic thinking and strategic positioning, and balance the resource input of industrial catalysts and vehicle catalysts, and strive to maximize the overall benefits of the Group based on the actual business development.

FINANCIAL REVIEW

Revenue

The following table sets forth the 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			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Plate-type DeNOx catalysts	18,932	84.3	13,334	84.7
DeNOx catalysts for diesel-powered vehicles	<u>3,527</u>	<u>15.7</u>	<u>2,408</u>	<u>15.3</u>
Total	<u>22,459</u>	<u>100.0</u>	<u>15,742</u>	<u>100.0</u>

The Group recorded a total revenue of approximately RMB22.5 million for the six months ended 30 June 2020, representing an increase of 42.7% as compared to approximately RMB15.7 million of the same period in 2019.

The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants. Revenue generated from sales of plate-type DeNOx catalysts for the six months ended 30 June 2020 increased to approximately RMB18.9 million, representing an increase of 42.0% as compared to approximately RMB13.3 million of the same period in 2019, which was primarily attributable to the increase in the average selling price and sales volume of plate-type DeNOx catalysts during the six months ended 30 June 2020.

During the Period, the Group recorded a revenue of DeNOx catalysts for diesel-powered vehicles approximately RMB3.5 million with an increase of 46.5% as compared with the revenue of approximately RMB2.4 million in the same period in 2019.

Gross profit

For the six months ended 30 June 2020, the Group recorded a gross profit of approximately RMB3.8 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 lower profit margin but higher sales volume. For the six months ended 30 June 2019, the Group recorded a gross profit of approximately RMB0.7 million.

Selling and marketing expenses

Selling and marketing expenses primarily consist of selling and marketing expenses, transportation cost, employee salaries and benefit expenses, etc. For the six months ended 30 June 2020, the Group focused in strengthen its marketing network and there was an increase in marketing expenses for the period. However, in view of the COVID-19 epidemic, our marketing teams reduced their personal traveling in visiting the clients and has adopted various communication channels in communicating with the clients, such as more telephone and video calls etc. and thus, the Group recorded a lower traveling and relating expenses for the period. As a whole, the Group's selling and marketing expenses decreased by 53.0% to approximately RMB3.0 million from approximately RMB6.3 million in the same period in 2019 during the period.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation, research and development expenses and professional fees. For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB5.7 million, which decreased by 42.4% when compared with approximately RMB9.9 million of the same period in 2019, mainly due to the decreases in employee benefit expenses, depreciation and amortisation, equipment impairment and audit service fees, etc.

Finance (costs)/income

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 net finance costs of approximately RMB0.04 million for the six months ended 30 June 2020, which mainly represents the realised exchange losses arising from the conversion of Hong Kong dollars to Renminbi while it recorded net finance costs of approximately RMB1.1 million in the same period in 2019.

Loss attributable to the owners of the Company

As a result of the aforementioned major factors, the loss attributable to the owners of the Company for the six months ended 30 June 2020 decreased by 73.8% to approximately RMB4.6 million from approximately RMB17.6 million in the same period in 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 30 June 2020, the Group had net current assets of approximately RMB197.3 million (31 December 2019: approximately RMB199.1 million) of which cash and cash equivalents were approximately RMB118.2 million (31 December 2019: approximately RMB125.4 million) and were denominated in RMB, US\$, Euro€, and HK\$.

The Group had no outstanding bank loans and other borrowings as at 30 June 2020 (31 December 2019: Nil).

The Group had no pledged assets as at 30 June 2020 (31 December 2019: Nil).

Use of net proceeds from the Listing

As at 30 June 2020, net proceeds not utilised of approximately RMB53.7 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	Amount utilised up to 30 June 2020	Unutilized amount as at 30 June 2020	Expected timeline of full utilisation of the remaining proceeds
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	
Development of DeNOx catalysts for diesel-powered vehicles	78.6	58.0	20.6	2024
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	2024
Research and development	17.1	12.0	5.1	2024
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	4.8	2.1	2024
Replacement of the Group's No. 1 production line	5.1	3.5	1.6	2024
Working capital and general corporate purposes	17.1	17.1	-	N/A
Total	171.0	117.3	53.7	

Capital expenditure

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the six months ended 30 June 2020, the Group invested approximately RMB0.9 million (six months ended 30 June 2019: RMB5.1 million) for purchase of property, plant and equipment and land use rights. These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 30 June 2020, the Group had capital commitment amounted to RMB1.4 million (31 December 2019: 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.

Contingent liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: 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 2020.

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 Period

Upon the outbreak of COVID-19 in early 2020 in the PRC, a series of precautionary and control measures have been implemented across the country/region. As at the date of this announcement, the Group has resumed its operations, no customers have cancelled their orders and the supply of raw materials resumes to normal level. The Group was not aware of any material adverse effects on the financial statements as a result of COVID-19 outbreak. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

Save as disclosed above, no important events affecting the Group has taken place since 30 June 2020 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 activities against foreign currency risk during the six months ended 30 June 2020. Any substantial fluctuation in exchange rate of foreign currencies against Renminbi may have a financial impact to the Group.

Employees

As at 30 June 2020, the Group had 183 employees (31 December 2019: 165). Remuneration of the employees of the Group amounted to RMB8.3 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB8.7 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 has adopted a share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 2019. As the growth of the Group 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 2020 (six months ended 30 June 2019: Nil).

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2020.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2020, 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. Given the current stage of the development of the Group, the Board is of the view that vesting the two roles of chairman and chief executive to Ms. Zhao Shu, the chairlady of the Group 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 deviation, please refer to the section headed "Corporate Governance Report – (D) Chairman and Chief Executive" in page 9 of the annual report of the Company for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has cancelled 1,312,000 Shares on 20 March 2020 regarding the repurchases of shares of the Company on 4, 6, 17, 19 and 23 December 2019.

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 six months ended 30 June 2020.

REVIEW BY THE AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei. Mr. Ong Chor Wei is an independent non-executive Director with appropriate professional qualification under Rules 3.10(2) and 3.21 of the Listing Rules. Ms. Chan Yeuk Wa is the chairlady of the audit committee.

The audit committee has reviewed the unaudited consolidated interim financial information and results of the Group for the six months ended 30 June 2020 in conjunction with the management, and has also discussed the accounting policies, accounting standards and practices adopted by the Group for the six months ended 30 June 2020.

APPOINTMENT OF AUDITOR

SHINEWING (HK) CPA Limited was appointed as the auditor of the Company following the retirement of PricewaterhouseCoopers at the annual general meeting of the Company held on 30 June 2020 and will hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcements dated 28 May 2020, 30 June 2020 and the circular dated 28 May 2020 of the Company respectively.

PUBLICATION OF 2020 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.china-denox.com) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The Company's interim report for the six months ended 30 June 2020 will be made available on the websites of the Company and The Stock Exchange of Hong Kong Limited 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, 28 August 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. Li Min, Mr. Ong Chor Wei and Ms. Chan Yeuk Wa as independent non-executive Directors.