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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE DISPOSAL OF 51% EQUITY INTEREST IN
WUXI DENOX ENVIRONMENTAL & TECHNOLOGY CO., LTD.**

THE DISPOSAL

Reference is made to the announcement of Denox Environmental & Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 March 2016 (the “**Announcement**”). Unless otherwise defined herein, terms in this announcement shall have the same meaning as defined in the Announcement.

The Board is pleased to announce that on 8 March 2021 (after trading hours), Beijing Denox, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which Beijing Denox has conditionally agreed to dispose, and the Purchaser agreed to acquire, 51% equity interest in Wuxi Denox at a total consideration of approximately RMB15.4 million (equivalent to approximately HK\$18.4 million).

Upon completion of the Disposal, Beijing Denox will no longer hold any equity interest in Wuxi Denox and Wuxi Denox will cease to be a subsidiary of the Company, and its financial results will no longer be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer Agreement and the Disposal contemplated thereunder are more than 5% but less than 25%, the Equity Transfer Agreement and the Disposal contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but are exempt from the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is interested in 30% of the equity interest in Wuxi Denox, the Purchaser is considered as a connected person of the Company at the subsidiary level, and the Disposal constitutes a connected transaction of the Company.

Pursuant to Rule 14A.101 of the Listing Rules, as:

1. the Board has approved the Equity Transfer Agreement and the Disposal contemplated thereunder; and
2. the independent non-executive Directors of the Company have confirmed that the terms of the Equity Transfer Agreement and the Disposal contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole;

the Equity Transfer Agreement and the Disposal contemplated thereunder are exempt from the circular, independent financial advice and Shareholders' approval requirements but is subject to the announcement and reporting requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 8 March 2021 (after trading hours), Beijing Denox, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which Beijing Denox has conditionally agreed to dispose, and the Purchaser agreed to acquire, 51% equity interest in Wuxi Denox at a total consideration of approximately RMB15.4 million (equivalent to approximately HK\$18.4 million).

THE DISPOSAL

Date : 8 March 2021 (after trading hours)

Parties : (1) Beijing Denox, an indirect wholly-owned subsidiary of the Company as seller; and
(2) the Purchaser.

As at the date of this announcement, Wuxi Denox is owned as to 51%, 30%, 14% and 5% by Beijing Denox, the Purchaser and two Minority Shareholders, respectively.

Assets to be disposed

Pursuant to the Equity Transfer Agreement, Beijing Denox has conditionally agreed to dispose, and the Purchaser agreed to acquire, 51% equity interest in Wuxi Denox at a total consideration of approximately RMB15.4 million (equivalent to approximately HK\$18.4 million).

Upon completion of the Disposal, Beijing Denox will no longer hold any equity interest in Wuxi Denox and Wuxi Denox will cease to be a subsidiary of the Company, and its financial results will no longer be consolidated into the accounts of the Group.

Consideration

The total consideration for the Disposal is approximately RMB15.4 million (equivalent to approximately HK\$18.4 million). The consideration for the Disposal shall be paid into the designated bank account of Beijing Denox within 3 days after the completion of the registration of the change of equity interest in Wuxi Denox.

Basis of the consideration

The consideration for the Disposal was determined after arm's length negotiations between Beijing Denox and the Purchaser with reference to the independent valuation of the net assets value of Wuxi Denox of approximately RMB20.9 million (equivalent to approximately HK\$25.0 million) as at 31 January 2021 (mainly comprised of land and buildings of approximately RMB19.4 million (equivalent to approximately HK\$23.2 million)).

Conditions precedent to the Disposal

Completion of the Disposal is subject to satisfaction of the following conditions precedent:

- (a) all necessary approvals, consents and waivers having been obtained from all government bodies (if applicable) and third parties (including but not limited to the Stock Exchange) for the Disposal;
- (b) Equity Transfer Agreement and Asset Transfer Agreement have been properly signed and become effective; and
- (c) transactions under Asset Transfer Agreement have been completed.

If all conditions above have not been satisfied on or before 15 March 2021 (or such other date as the parties to the Equity Transfer Agreement may agree) or condition (c) above cannot be satisfied, Beijing Denox has the right to postpone such long stop date or to terminate the Equity Transfer Agreement.

Completion of the Disposal

Completion of the Disposal should take place when equity transfer procedures pursuant to the Equity Transfer Agreement being completed and 51% equity interest in Wuxi Denox being registered in the name of the Purchaser.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Wuxi Denox is principally engaged in the production of stainless steel mesh, which is utilised by the Group for the manufacturing of plate-type DeNOx catalysts. Wuxi Denox has been one of the suppliers of the Group for stainless steel mesh since 2012, and the acquisition of Wuxi Denox in 2016 ensured a stable supply of stainless steel mesh.

As the Group has now mastered the technology of producing stainless steel mesh independently, the directors of the Company considers that it is beneficial for a wholly-owned subsidiary of the Group to acquire the revenue generating equipment for producing stainless steel mesh from Wuxi Denox while disposing the equity interest in Wuxi Denox, which will generate positive cashflow and significantly reduce the production costs of plate-type DeNOx catalysts without affecting the operations of the Group.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposal contemplated thereunder are on normal commercial terms, fair and reasonable, and the entering into of the Equity Transfer Agreement and the Disposal are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Group is principally engaged in design, development, manufacture and sales of plate-type and honey-comb DeNOx catalysts in the PRC.

INFORMATION OF WUXI DENOX

Wuxi Denox is a company established in the PRC with limited liability on 19 July 2012. Wuxi Denox is principally engaged in manufacturing, processing and sales of the stainless steel mesh.

The unaudited total assets and net assets of Wuxi Denox as at 31 December 2020 were approximately RMB21.8 million (equivalent to approximately HK\$26.1 million) and RMB16.9 million (equivalent to approximately HK\$20.2 million), respectively. The following information is a summary of the financial information of Wuxi Denox:

	For the year ended 31	
	December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Net profit before taxation	3,775	1,458
Net profit after taxation	2,857	1,363

INFORMATION OF BEIJING DENOX

Beijing Denox is an indirect wholly-owned subsidiary of the Company which is principally engaged in design, distribution and sale of the plate-type DeNOx catalysts in the PRC.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, it is expected that the Group will record a loss of approximately RMB1.5 million (equivalent to approximately HK\$1.8 million) in its consolidated statement of comprehensive income, which is calculated with reference to the net proceeds of the Disposal less the estimated carrying amount of the net assets of Wuxi Denox of approximately RMB16.9 million (equivalent to approximately HK\$20.2 million) as at 31 December 2020.

Shareholders should note that the financial effect of the Disposal as disclosed above is for reference only and the actual amount of gain or loss will be assessed based on the financial position of the Group as at the date of the completion of the Disposal and subject to audit. The Group does not expect any material change in financial position as a result of the Disposal.

The net proceeds of the Disposal will be approximately RMB15.4 million (equivalent to approximately HK\$18.4 million). The Board intends to use the net proceeds from the Disposal for working capital and general corporate purposes.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer Agreement and the Disposal contemplated thereunder are more than 5% but less than 25%, the Equity Transfer Agreement and the Disposal contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is interested in 30% of the equity interest in Wuxi Denox, the Purchaser is considered as a connected person of the Company at the subsidiary level, and the Disposal constitutes a connected transaction of the Company.

Pursuant to Rule 14A.101 of the Listing Rules, as:

1. the Board has approved the Equity Transfer Agreement and the Disposal contemplated thereunder; and
2. the independent non-executive Directors of the Company have confirmed that the terms of the Equity Transfer Agreement and the Disposal contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole;

the Equity Transfer Agreement and the Disposal contemplated thereunder are exempt from the circular, independent financial advice and Shareholders' approval requirements but is subject to the announcement and reporting requirements under Chapter 14A of the Listing Rules.

None of the Directors is considered to have a material interest in the Disposal and therefore none of the Directors was required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement and the Disposal contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Asset Transfer Agreement”	the asset transfer agreement dated 25 November 2020 entered into between Wuxi Denox as seller and Gu'an Denox as purchaser in relation to the acquisition of equipment owned by Wuxi Denox;
“Beijing Denox”	Beijing Denox Environmental & Technology Co., Ltd. * (北京迪諾斯環保科技有限公司), a company established in the PRC with limited liability on 30 September 2010 and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement;
“Board”	the board of Directors;
“Company”	Denox Environmental & Technology Holdings Limited (迪諾斯環保科技控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“DeNOx”	the process of reducing NOx concentration in industrial flue gas emissions;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of 51% equity interest in Wuxi Denox by Beijing Denox;
“Equity Transfer Agreement”	the equity transfer agreement dated 8 March 2021 entered into between Beijing Denox as seller and the Purchaser in relation to the Disposal;

“Group”	the Company and its subsidiaries;
“Gu’an Denox”	Gu’an Denox Environmental Equipment Manufacturing Co., Ltd. * (固安迪諾斯環保設備製造有限公司), a company established under the laws of the PRC with limited liability on 27 August 2010 and an indirect wholly owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Minority Shareholders”	Ms. Chen Ye (陳曄), the daughter of the Purchaser, and Mr. Lu Xudong (陸旭東);
“NOx”	a generic term for mono-nitrogen oxides (nitric oxide and nitrogen dioxide);
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement;
“Purchaser”	Mr. Chen Zhengfang (陳正芳);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuxi Denox”	Wuxi Denox Environmental & Technology Co., Ltd. * (無錫迪諾斯環保科技有限公司), a company established in the PRC with limited liability on 19 July 2012; and
%	per cent.

* *For identification purposes only*

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.1951 has been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representation that any amount in RMB or HK\$ have been or may be converted in such rates.

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

Hong Kong, 8 March 2021

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 Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei as independent non-executive Directors.