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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Denox Environmental & Technology Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”) together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue from contracts with customers	3	64,776	61,540
Cost of sales		<u>(49,086)</u>	<u>(54,880)</u>
Gross profit		15,690	6,660
Selling and marketing expenses		(9,039)	(10,842)
Administrative expenses		(18,061)	(34,915)
Research and development expenses		(6,718)	(5,087)
(Impairment loss) reversal of impairment loss recognised in respect of trade receivables, net		(448)	6,456
Other losses, net	4	(2,347)	(1,158)
Share of loss of an associate		(600)	–
Finance income	5	265	552
Finance costs	5	<u>(142)</u>	<u>(51)</u>
Loss before tax		(21,400)	(38,385)
Income tax expenses	6	<u>–</u>	<u>(656)</u>
Loss for the year	7	<u>(21,400)</u>	<u>(39,041)</u>
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u>(3,695)</u>	<u>1,462</u>
Other comprehensive (expense) income for the year		<u>(3,695)</u>	<u>1,462</u>
Total comprehensive expense for the year		<u>(25,095)</u>	<u>(37,579)</u>
Loss for the year attributable to:			
– Owners of the Company		(21,027)	(40,058)
– Non-controlling interests		(373)	1,017
		<u>(21,400)</u>	<u>(39,041)</u>
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		(24,722)	(38,596)
– Non-controlling interests		(373)	1,017
		<u>(25,095)</u>	<u>(37,579)</u>
Loss per share	8		
Basic and diluted (RMB per share)		<u>(0.04)</u>	<u>(0.08)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		54,808	42,375
Right-of-use assets		19,777	17,204
Intangible assets		2,857	3,758
Interest in an associate		–	–
Long-term prepayments		2,156	140
Restricted cash		<u>3,219</u>	<u>–</u>
		<u>82,817</u>	<u>63,477</u>
Current assets			
Inventories	<i>10</i>	90,723	59,925
Trade receivables	<i>11</i>	32,531	33,255
Financial assets at fair value through other comprehensive income		7,680	18,714
Prepayments, deposits and other receivables		11,217	9,190
Pledged bank deposits		3,418	–
Restricted cash		2,373	2,118
Cash and cash equivalents		<u>84,967</u>	<u>125,415</u>
		<u>232,909</u>	<u>248,617</u>
Total assets		<u><u>315,726</u></u>	<u><u>312,094</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,281	535
Deferred tax liabilities		<u>1,291</u>	<u>1,550</u>
		<u>4,572</u>	<u>2,085</u>
Current liabilities			
Trade payables	<i>12</i>	12,252	6,849
Bill payables	<i>12</i>	3,418	–
Accruals and other payables		8,018	10,440
Contract liabilities		43,968	23,764
Lease liabilities		510	1,045
Income tax payables		<u>7,552</u>	<u>7,380</u>
		<u>75,718</u>	<u>49,478</u>
Total liabilities		<u><u>80,290</u></u>	<u><u>51,563</u></u>
Net assets		<u><u>235,436</u></u>	<u><u>260,531</u></u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the Company		
Share capital	31,423	31,506
Reserves	<u>190,024</u>	<u>214,663</u>
	221,447	246,169
Non-controlling interests	<u>13,989</u>	<u>14,362</u>
Total equity	<u><u>235,436</u></u>	<u><u>260,531</u></u>
Total equity and liabilities	<u><u>315,726</u></u>	<u><u>312,094</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) 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 (the “**Controlling Shareholder**”).

On 12 November 2015, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited.

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the principal subsidiaries of the Group where the primary economic environment is in the PRC. Other than the subsidiaries established in the PRC which functional currencies are RMB, the functional currency of the Company and other subsidiaries is Hong Kong dollars (“**HK\$**”).

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in International Financial Reporting Standards (“**IFRSs**”) and the following amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) which are effective for the Group’s financial year beginning 1 January 2020:

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

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to IFRS 3	Reference to Conceptual Framework ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendment to IFRS 16	COVID-19-Related Rent Concessions ⁴
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to IAS 8	Definition of Accounting Estimates ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents revenue arising on sales of goods and provision of services. An analysis of the Group's revenue for the year is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines		
– Sales of goods		
• Plate-type DeNOx catalysts	44,221	53,894
• Honey-comb DeNOx catalysts	13,145	–
• DeNOx catalysts for diesel-powered vehicles	7,410	5,829
– Provision of services		
• Replacement services	–	1,749
• Others	–	68
	<u>64,776</u>	<u>61,540</u>

All revenue from contracts with customers are recognised at a point in time for both years.

4. OTHER LOSSES, NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Write-off of property, plant and equipment	(2,953)	–
Government grants (<i>note</i>)	495	721
Net foreign exchange gains (losses)	111	(1,851)
Others	<u>–</u>	<u>(28)</u>
	<u><u>(2,347)</u></u>	<u><u>(1,158)</u></u>

Note: This amount represented the subsidy income granted to the Company by the government in Hebei, the PRC. The government grants are one-off with no specific conditions.

5. FINANCE INCOME/FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance income		
Interest income on cash and cash equivalents, restricted cash and pledged bank deposits	<u>265</u>	<u>552</u>
Finance costs		
Interest expenses on lease liabilities	(138)	(51)
Interest expenses on discounted bills	<u>(4)</u>	<u>–</u>
	<u><u>(142)</u></u>	<u><u>(51)</u></u>

6. INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC Enterprise Income Tax:		
Current year	<u>259</u>	<u>917</u>
	<u>259</u>	<u>917</u>
Deferred taxation:		
Current year	<u>(259)</u>	<u>(261)</u>
	<u><u>–</u></u>	<u><u>656</u></u>

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2020 and 2019.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2020 and 2019.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries is 25%.

Pursuant to the relevant laws and regulations in the PRC, the Group’s subsidiaries, Beijing Denox Environmental & Technology Co., Ltd and Gu’an Denox Environmental Equipment Manufacturing Co., Ltd, were accredited as “New High-tech Enterprise”. They are entitled to the preferential tax rate of 15% for both years.

7. LOSS FOR THE YEAR

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors’ emoluments	1,114	1,222
Other staffs’ wages, salaries and bonuses	15,969	13,761
Other staffs’ retirement benefits scheme contributions	1,193	2,084
Other staffs’ welfare and allowance	<u>943</u>	<u>831</u>
Total employee benefits expenses	<u>19,219</u>	<u>17,898</u>
Auditor’s remuneration	845	1,700
Depreciation of property, plant and equipment	4,943	5,471
Depreciation of right-of-use assets	1,248	921
Amortisation of intangible assets	901	2,634
Net foreign exchange (gains) losses	(111)	1,851
Impairment loss (reversal of impairment loss) recognised in respect of trade receivables, net	448	(6,456)
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	1,532	9,146
Impairment loss recognised in respect of right-of-use assets (included in administrative expenses)	98	–
Impairment loss recognised in respect of intangible assets (included in administrative expenses)	–	5,737
Reversal of write-down of inventories (<i>note</i>)	(23)	(361)
Amount of inventories recognised as an expense	49,109	55,241

Note: During the years ended 31 December 2020 and 2019, reversal of write-down of inventories of RMB23,000 (2019: RMB361,000) were made due to the sellout of inventories written off in previous year.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(21,027)</u>	<u>(40,058)</u>
	Number of shares '000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>494,037</u>	<u>495,303</u>

The diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	14,428	14,675
Work-in-progress	2,810	818
Finished goods	19,950	17,510
Goods in transit	<u>53,535</u>	<u>26,922</u>
	<u>90,723</u>	<u>59,925</u>

During the years ended 31 December 2020 and 2019, reversal of write-down of inventories of RMB23,000 (2019: RMB361,000) was recognised and included in cost of sales due to the sellout of inventories written off in previous year.

11. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	35,879	36,155
Less: allowance for impairment of trade receivables	<u>(3,348)</u>	<u>(2,900)</u>
	<u>32,531</u>	<u>33,255</u>

As at 31 December 2020, the gross amount of trade receivables arising from contracts with customers amounted to RMB35,879,000 (2019: RMB36,155,000).

The Group allows an average credit period of 30 days to 90 days to its customers. The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the date of revenue recognition dates, at the end of the reporting period.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	16,234	22,321
1 year to 2 years	11,454	8,342
2 years to 3 years	3,937	2,156
Over 3 years	<u>906</u>	<u>436</u>
	<u>32,531</u>	<u>33,255</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (“ECL”). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors’ current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

12. TRADE AND BILL PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	12,252	6,849
Bill payables	<u>3,418</u>	<u>–</u>
	<u>15,670</u>	<u>6,849</u>

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 6 months	15,434	6,698
6 months to 1 year	55	39
1 to 2 years	134	–
Over 2 years	<u>47</u>	<u>112</u>
	<u>15,670</u>	<u>6,849</u>

The average credit period on purchases is from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES

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

THE COMPANY'S MANAGEMENT ANALYSIS REPORT FOR 2020 AND OUTLOOK ON THE WORK FOR 2021

I. Work overview of the Company for 2020

In 2020, the global economy was impacted by the coronavirus ("COVID-19") pandemic. Although China was the only major economy which achieved GDP growth around the world, its GDP growth rate also fallen to 2.3%, which is the lowest growth in history. In this case, the Company's overall operation was also under great pressure. Thanks to the efforts of all the employees of the Company, the Company's overall business suffered limited impact and basically maintained stable operation in 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, and the overall catalyst inventory market in the thermal power industry has not changed too much. At present, the industrial catalyst manufacturers are still in a situation of overcapacity, and the entire market is a buyer's market. After the industry reshuffle, the existing catalyst manufacturers have become stronger, the market competition is very intense, every manufacturer is taking measures to explore the market and reduce and cut various costs as much as possible.
- (2) In addition to China's thermal power industry, other industrial markets were greatly affected by the COVID-19 pandemic in the first half of the year, and the overall market was dragged down, however, with the economic recovery in the second half of the year, the market rebounded gradually.
- (3) In respect of vessel catalyst market, since China will implement the China II standard with effect from 1 July 2022, and foreign catalysts will still dominate the market in the initial stage, it is expected that it will take some time for the market to actually start.

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

(1) Marketing and after-sale services

In 2020, there was little overall fluctuation in the price of DeNOx catalysts. The marketing department completed catalyst technical solutions for 263 projects, submitted 82 official bids with customers such as power generation groups and local power plants, and entered into a total of 52 supply contracts throughout the year. Under the overall severe pandemic situation throughout the year, it was really not easy for the marketing department to achieve the abovementioned results. As of the end of December 2020, the Group completed the initial acceptance of 25 generation units in 19 power plants in the first half of the year, and completed the final acceptance of 4 generation units in 2 power plants and the recovery of all contract payments.

The notable marketing work of the Group in 2020 includes:

- 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; and the Group's products were recognized by the Italian customer, which was reflected by the fact that two additional orders were placed successively;
- At the beginning of the year, the Group obtained a bundled bidding order for flat catalysts from China Huaneng Group Co., Ltd, which laid a foundation for the marketing and product manufacturing of the Group throughout the year;
- 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 were truly recognized by international customers;
- The Group continued to develop the low-temperature catalyst market, and carried out a pilot test of low-temperature honeycomb catalysts in ceramic industry projects to prepare in advance for subsequent large-scale environmental protection application in the ceramic industry; and
- The Group fulfilled a breakthrough of zero performance in the biomass boiler and steel pellet industry, which marked that the Group's products covered a wider range of industries and the overall competitiveness was improved.

(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 pandemic. Subsequently, the production was gradually increased, and the production load began to rebound gradually after June. The Group continued to focus its efforts on reducing product manufacturing costs and product inventory, and the gross profit margin of the Group's plate-type catalysts stood at a relatively high level for the Company in recent years.

In 2020, in line with the strategic adjustment of the Group, the Group further expanded the production equipment of the production lines for honeycomb catalysts, which further improved the production capacity. By the end of 2020, the production capacity of honeycomb catalysts basically met the needs of market expansion, which laid a solid foundation for the Group's expansion in the electric power, metallurgy, coking, cement and biomass power generation industries.

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

1. In 2020, the Group's customer orders for the catalysts used for diesel-powered vehicles under the China V standard increased steadily over the previous year, and the product quality was recognized by customers. In view of that the "China VI" standard will be officially imposed on heavy-duty diesel-powered vehicles with effect from 1 July 2021, the Group will initiatively reduce the production of China V catalysts at the end of the year to avoid inventory backlog of the China V products of the Company due to standard switching.
2. The Group has been working on China VI catalyst products for natural gas-powered vehicles. It obtained the first announcement of natural gas catalyst products and also signed a supply contract for China VI products used for natural gas-powered vehicles.
3. The installation and debugging of the large-scale production line purchased by the Group was completed, and the Group is preparing for trial production.
4. The Group continued to enhance marketing efforts, and continued to strengthen communication with several domestic vehicle manufacturers, diesel engine factories and exhaust emission system packaging companies with an aim to achieve greater market breakthroughs as soon as possible.

II. Key work arrangements of the Group for 2021

(I) *Plate-type and honeycomb DeNOx catalysts*

1. In 2021, the Group will continue to strengthen its marketing efforts, especially the marketing and sales of honeycomb catalysts, and release the Company's production capacity as much as possible. The Group will continue to reinforce its exploration in non-electric industry to increase the proportion of products in non-electric industry.
2. The Group will try to expand the engineering business of the catalyst-related installation, commissioning and replacement alongside with daily after-sales service, and strive to achieve breakthroughs in the engineering sector, so as to realize mutual promotion with product sales.
3. The Group will continue to strengthen cost control, especially the labor costs, bulk raw material costs, spare parts consumption and inventory control that are related to manufacturing costs, to enhance the Group's market competitiveness.

(II) *Catalysts for diesel-powered vehicles and vessels (engines)*

1. *China V vehicle catalysts*

In accordance with the established strategy of the Group, the Group will no longer reserve inventory of China V catalyst products in 2021, and actively prepare the products for diesel-powered vehicles and natural gas-powered vehicles under the China VI standard.

2. *Catalysts for China VI vehicles and related environment-friendly products*

(1) Research and development

Currently, the natural gas catalyst market is facing intensifying competition, and customers request a large price reduction within a very short period of time. Therefore, the Group should strive to keep up with the rhythm of the market in its research and development. The market of catalysts for China VI diesel-powered vehicles and related environment-friendly products will be duly launched in the second half of the year, thus the Group should seize the time to carry out product research and development, so as to strive for a fair opportunity to compete with other companies.

(2) Market development

The Group will continue to grasp various opportunities to conduct technical and business exchanges with automobile manufacturers, major engine factories, packaging companies, etc., and strive for further substantive market performance on top of the breakthroughs achieved in 2020.

(3) Production safety

The Group will further debug and improve the large-scale production line, recruit relevant production and technical personnel, and make all preparations for mass production.

FINANCIAL REVIEW

Revenue from contracts with customers

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

	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Plate-type DeNOx catalysts	44,221	68.3	53,894	87.6
Honey-comb DeNOx catalysts	13,145	20.3	–	–
DeNOx catalysts for diesel-powered vehicles	7,410	11.4	5,829	9.5
Others	<u>–</u>	<u>–</u>	<u>1,817</u>	<u>2.9</u>
Total	<u>64,776</u>	<u>100.0</u>	<u>61,540</u>	<u>100.0</u>

The Group recorded a total revenue of approximately RMB64.8 million in 2020, representing an increase of 5.3% as compared to approximately RMB61.5 million in 2019.

Revenue generated from sales of plate-type DeNOx catalysts decreased to approximately RMB44.2 million, representing a decrease of 17.9% as compared to approximately RMB53.9 million of the same period in 2019, which was primarily attributable to fluctuations in market demand. The average selling price of plate-type DeNOx catalysts per m³ increased by approximately 9.6% from RMB9,521 per m³ in 2019 to RMB10,435 per m³ in 2020, while the sales volume of plate-type DeNOx catalysts decreased by approximately 23.9% from 5,658 m³ in 2019 to 4,304 m³ in 2020. The plate-type DeNOx catalysts market was mainly derived from power plant customers.

In 2020, the Group recorded a revenue from sales of DeNOx catalysts for diesel-powered vehicles of approximately RMB7.4 million. Subject to the China VI standards in executed by 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

In 2020, the Group recorded a gross profit of approximately RMB15.7 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 2019, the Group recorded a gross profit of approximately RMB6.7 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 2019 and 2020, representing 17.6% and 14.0% of the Group's total revenue from contracts with customers in 2019 and 2020, respectively.

Administrative expenses

Administrative expenses mainly consist of impairment losses of property, plant and equipment and right-of-use assets, employee benefit expenses, depreciation and amortisation. The Group's administrative expenses decreased by 48.1% from approximately RMB34.9 million in 2019 to approximately RMB18.1 million in 2020 which was primarily attributable to the decrease in the impairment losses of property, plant and equipment, intangible assets and right-of-use assets for DeNOx catalysts for diesel-powered vehicles and honey-comb DeNOx catalysts business from approximately RMB14.9 million in 2019 to approximately RMB1.6 million in 2020.

Finance income/costs

Finance income includes interest income on cash and cash equivalents, restricted cash and pledged bank deposits. Finance costs includes interest expenses on lease liabilities and interest expenses on discounted bills.

Loss attributable to the owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company decreased by 47.6% from approximately RMB40.1 million in 2019 to approximately RMB21.0 million in 2020.

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	
	2020	2019
Current Ratio (<i>Note 1</i>)	3.1 times	5.0 times
Quick Ratio (<i>Note 2</i>)	1.9 times	3.8 times
Return on equity (<i>Note 3</i>)	N/A	N/A
Return on total assets (<i>Note 4</i>)	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 owners of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company.
- (4) Return on total assets is calculated by dividing income attributable to owners 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 5.0 times as at 31 December 2019 to 3.1 times as at 31 December 2020 and quick ratio decreased from 3.8 time as at 31 December 2019 to 1.9 times as at 31 December 2020. Such decrease was mainly due to the increase in down payment from customers of approximately RMB23.8 million as at 31 December 2019 to approximately RMB44.0 million as at 31 December 2020 because more sales contracts were awarded in the second half of 2020.

Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2019 and 2020, as it has recorded a loss attributable to the owners of the Company for the years ended 31 December 2019 and 2020.

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 2020, the Group had net current assets of approximately RMB157.2 million (2019: approximately RMB199.1 million) of which cash and cash equivalents were approximately RMB85.0 million (2019: approximately RMB125.4 million) and were denominated in RMB, US\$, HK\$ and Euro€ as at 31 December 2020.

On 12 November 2015, the Company successfully listed its shares on the main board of The Stock Exchange of Hong Kong Limited (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 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 prospectus of the Company dated 30 October 2015.

Purposes	Planned Amount	Balance as at 31 December 2019	Reallocation during the year ended 31 December 2020	Amount utilized during the year ended 31 December 2020	Balance as at 31 December 2020	Expected timeline for fully utilizing the remaining proceeds
						(taking into account of the new allocation) <i>(Note)</i>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	
Development of DeNOx catalysts for diesel-powered vehicles	78.6	35.2	–	(14.6)	20.6	Fourth quarter of 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	24.3	(24.3)	–	–	N/A
Research and development	17.1	5.1	–	–	5.1	Fourth quarter of 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	2.1	–	–	2.1	Fourth quarter of 2024

Purposes	Planned Amount <i>RMB'million</i>	Balance as at 31 December 2019 <i>RMB'million</i>	Reallocation during the year ended 31 December 2020 <i>RMB'million</i>	Amount utilized during the year ended 31 December 2020 <i>RMB'million</i>	Balance as at 31 December 2020 <i>RMB'million</i>	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) <i>(Note)</i>
Replacement of the Group's No. 1 production line	5.1	1.6	(1.6)	–	–	N/A
Working capital and general corporate purposes	17.1	–	25.9	–	25.9	Fourth quarter of 2024
Total	<u>171.0</u>	<u>68.3</u>	<u>–</u>	<u>(14.6)</u>	<u>53.7</u>	

Note: The expected timeline for fully utilizing the remaining proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

Borrowings

The Group had no outstanding bank loans and other borrowings as at 31 December 2019 and 2020.

Pledge of Assets

Except for pledged bank deposits of RMB3,418,000 as at 31 December 2020, the Group had no other pledged assets as at 31 December 2019 and 2020.

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 2020, the Group had invested approximately RMB24.3 million for the purchase of property, plant and equipment (2019: approximately RMB9.9 million). These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 31 December 2020, the Group had capital commitment amounted to RMB1.4 million (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. As at 31 December 2020, the Group had capital commitment amounted to approximately RMB2.0 million (2019: nil) for acquisition of property, plant and equipment.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2019 and 2020.

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 year ended 31 December 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.

Employees

As at 31 December 2020, the Group had 206 employees (2019: 165). 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. Please refer to the section headed "Share Option Scheme" for details. 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.

Important events affecting the Group after the Reporting 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.

Subsequent to 31 December 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholder of the Group in which the Group agreed to dispose 51% equity interest of a subsidiary of the Group, Wuxi Denox Environmental & Technology Co., Ltd., with the cash consideration of RMB15,401,181. For details, please refer to announcement dated 8 March 2021. The disposal is expected to complete at end of April 2021.

Save as disclosed in this announcement, no important events affecting the Group has taken place since 31 December 2020 and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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, 25 June 2021 (the “**Annual General Meeting**”), the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both days inclusive, during which period no transfer of 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 Monday, 21 June 2021.

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 Reporting Period.

COMPLIANCE WITH THE MODEL CODE

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 and up to the date of this announcement.

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 and up to the date of this announcement, the Company has complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (“**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 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 THE AUDIT COMMITTEE

The audit committee of the Company ("**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 audited financial statements of the company for the year ended 31 December 2020 in conjunction with the Company's auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

CHANGE OF AUDITOR

SHINEWING (HK) CPA Limited ("**Shinewing**") 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.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor Shinewing, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Shinewing 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 Shinewing on the preliminary announcement.

PUBLICATION OF 2020 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 2020 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, 29 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.