Annual Report

2015

迪诺斯

Denox Environment

DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED

迪諾斯環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1452

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. ZHAO Shu
Mr. KONG Hongjun
Mr. LI Ke

Non-executive Directors

Mr. LI Xingwu
Mr. TEO Yi Dar

Independent non-executive Directors

Mr. LI Junhua
Mr. LAM Yiu Por
Mr. ONG Chor Wei

Audit Committee

Mr. LAM Yiu Por *(Chairman)*
Mr. LI Junhua
Mr. ONG Chor Wei

Remuneration Committee

Mr. LI Junhua *(Chairman)*
Ms. ZHAO Shu
Mr. ONG Chor Wei

Nomination Committee

Ms. ZHAO Shu *(Chairlady)*
Mr. LI Junhua
Mr. ONG Chor Wei

Joint Company Secretaries

Mr. LIU Lianchao
Mr. CHAN Chung Kik, Lewis

Authorised Representatives

Ms. ZHAO Shu
Mr. LIU Lianchao

Auditor

PricewaterhouseCoopers

Legal Advisers

As to Hong Kong laws

Sidley Austin

As to Cayman Islands laws

Conyers Dill & Pearman

Compliance Adviser

Cinda International Capital Limited

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION

Principal Place of Business in Hong Kong

15th Floor, 80 Gloucester Road
Wanchai
Hong Kong

Headquarters and principal place of business in the PRC

Room 1507, Building 2, Nuode Center
No. 128 Nansi Huan Xi Road
Fengtai District, Beijing
100070, PRC

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
No. 183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
China Merchants Bank

Website

www.china-denox.com

Stock Code

01452

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Denox Environmental & Technology Holdings Limited (the "**Company**", stock code: 1452), I am pleased to announce the results of the Company and its subsidiaries (collectively, the "**Group**" or "**Denox**") for the year ended 31 December 2015.

2015 was a year when China's macroeconomic growth has slowed down significantly, as well as the last year of the first cycle of DeNOx catalyst procurement for the power generation industry. Meanwhile, competition in the DeNOx catalyst industry has intensified, which resulted in a significant drop in gross profit margin and hence a considerable impact on the Company's operations. Despite such circumstances, the Company still achieved significant development with the collaborative efforts of all staff of the Group, laying a solid foundation for its operations in 2016. As at the end of 2015, China massively promoted ultra-low emission in coal-fired power plants which could soon lead to a widespread demand for the replenishment of their DeNOx catalysts and therefore the Company would enter a new stage of development. For the year ended 31 December 2015, the Group still recorded a total revenue of approximately RMB149.6 million and a profit attributable to shareholders of the Company (the "**Shareholders**") of approximately RMB25.5 million. Despite such considerable decreases as compared with the corresponding period last year, these financials allow us to have a comparative advantage within the industry.

CHAIRLADY'S STATEMENT

As the Chinese government reinforces its efforts to control atmospheric pollution, this offers the Company development opportunities. In 2016, the Company has started a new undertaking and accelerated its efforts in the development of catalysts for diesel-powered vehicles, disposal of used catalysts and the expansion into the international catalysts market. In order to further meet the Company's development needs, certain adjustments have been made to the Company's organisational structure. In 2016, the Company will focus on the following aspects: (1) in terms of daily operations, the Company made greater efforts in the sales of plate-type DeNOx catalysts. In the first two months of 2016, the Company had a better sales performance as compared with the corresponding period in 2015; (2) in terms of the research of development, the Company will continue to make greater efforts in research and development of relevant products in order to further reduce cost and keep its distinctive competitive advantage; (3) in terms of the development of new environmental products, the efforts would be made in the development of DeNOx catalysts for diesel-powered vehicles, catalyst regeneration and disposal of the used catalysts; (4) in terms of the optimisation of the supply chain, the Company will search for, and acquire, valuable companies in the supply chain in order to further hedge its risks and increase its profitability. All in all, all staff of the Company will continue to make an effort and strive for better results in 2016.

Finally, on behalf of the Board, I would like to thank all the employees of the Group for their dedication and contribution, and all the Shareholders and partners for their tremendous support. We will continue the efforts to foster growth of the Group's business and create value for our Shareholders.

Zhao Shu
Chairlady

31 March 2016

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the period from 12 November 2015 (the "**Listing Date**") to 31 December 2015 in the Company's annual report for the year ended 31 December 2015.

The Board is committed to promote good corporate governance to safeguard the interests of the Shareholders and believes that maintaining a high standard of corporate governance is essential to the success of the Company and would provide a practice enhancing greater accountability and transparency and meeting the expectations of the Group's stakeholders.

(A) Corporate Governance Practices

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code set out in Appendix 14 to the Rules (the "**Listing Rules**") governing the Listing of the Securities of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since the Listing Date to the date of this report.

Throughout the period since the Listing Date and up to the date of this report, the Company has complied with the relevant code provisions of the CG Code with the exception of Code Provision A.2.1 as set out in the paragraph headed "Chairman and Chief Executive" below.

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

(B) Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code since the Listing Date and up to the date hereof.

(C) Directors

Board Composition

The Board currently consists of 8 Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. As at the date hereof, the composition of the Board is set out as follows:

Executive Directors
Ms. ZHAO Shu
Mr. KONG Hongjun
Mr. LI Ke

Non-executive Directors
Mr. LI Xingwu
Mr. TEO Yi-Dar

Independent non-executive Directors
Mr. LI Junhua
Mr. LAM Yiu Por
Mr. ONG Chor Wei

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management" of this annual report.

Roles and Responsibilities

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and financial reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the memorandum of association and articles of association of the Company (the "**Articles of Association**"). Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operations and management of the Company are delegated to the management.

Directors must dedicate sufficient time and attention to the Group's affairs. Besides, the Company also requested all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

Attendance Record of the Directors

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through electronic means of communication. As the ordinary shares of the Company (the "**Ordinary Shares**" or "**Shares**") were listed on the Main Board of the Stock Exchange on 12 November 2015, code provision A.1.1 of the CG Code was not applicable to the Company during the period under review. Since the Listing Date and up to the date hereof, one Board meeting was held to approve, among other things, the final results of the Group for the year ended 31 December 2015 and all Board members attended the said meeting.

Independence of the independent non-executive Directors

Since the Listing Date and up to the date hereof, in compliance with the requirement of Rule 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board, with one of them possessing appropriate professional qualifications or accounting or related financial management expertise. Based on the foregoing, the Board considers that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group as a whole.

The Company has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors independent. The Board believes that there is a strong independent element in the Board to safeguard the interest of Shareholders.

All Directors, including independent non-executive Directors, are clearly identified in all corporate communications of the Company. A list of Directors is available on the websites of the Company and the Stock Exchange and will be updated, where necessary.

Induction and Development

Directors must keep abreast of their collective responsibilities. All Directors received an induction package covering the regulatory obligations of a director of a listed company. The Company also plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Company shall provide the Directors updates on the material changes to the Listing Rules and other applicable regulatory requirements. The Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Circulars and guidance notes may be issued to Directors and senior management of the Company where appropriate, to ensure awareness of best corporate governance practices.

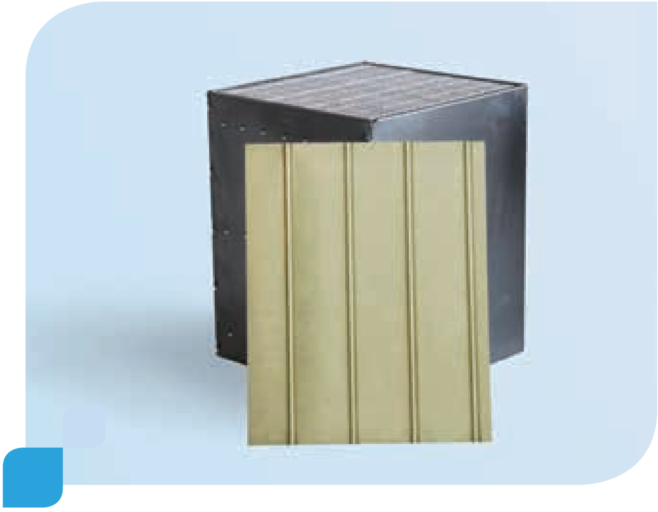
Before the Listing Date, all Directors attended trainings conducted by the Company's legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Securities and Futures Ordinance (the "SFO") and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong.

(D) Chairman and Chief Executive

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive 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 chairlady of the Group and has extensive experience in the Group's business operations 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.

Under the leadership of Ms. Zhao Shu, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, as to maintain a high standard of corporate governance practices of the Company.



(E) Appointment and Re-Election of Directors

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years with effect from the Listing Date. Whereas, each of the executive Directors entered into a service contract with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from November 2015, the month which the Shares were listed on the Main Board of the Stock Exchange.

Code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Three Directors will retire in the forthcoming annual general meeting of the Company, and being qualified, have offered to be re-elected at the annual general meeting.

(F) Board Committees

The Board is responsible for performing the corporate governance duties including:

a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct applicable to Directors, senior management and employees of the Company; and

e) to review the Company's compliance with the CG Code and disclosure in this report.

In compliance with the CG Code, the Company established three committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). These committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company established an Audit Committee on 19 October 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. As at the date hereof, the Audit Committee consists of three independent non-executive Directors, namely Mr. Lam Yiu Por (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Li Junhua, and Mr. Ong Chor Wei. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process system, internal control and risk management systems of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

Since the Listing Date and up to the date hereof, the Audit Committee held a meeting on 31 March 2016, with all members present, to assess the independence of the Company's auditor and to review, among other things, the Group's annual results for the year ended 31 December 2015.

Remuneration Committee

The Company established a Remuneration Committee on 19 October 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The Remuneration Committee consists of three members, being Mr. Li Junhua, Ms. Zhao Shu and Mr. Ong Chor Wei, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Li Junhua. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding the policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants, if any, pursuant to the Share Option Scheme.

Since Listing Date and up to the date hereof, the Remuneration Committee held a meeting on 31 March 2016, with all members thereof present, to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management.

The remuneration of senior management of the Company (other than the Directors) was within the following bands:

The remuneration bands	Number of individuals 2015	2014
Nil to HK$1,000,000	**3**	2

Information on the emoluments of the Directors and the five highest paid individuals are set out in notes 22(a) and 33(a) to the consolidated financial statements, respectively.

Nomination Committee

The Company established a Nomination Committee on 19 October 2015 with written terms of reference. The Nomination Committee consists of three members, being Ms. Zhao Shu, Mr. Li Junhua and Mr. Ong Chor Wei. Two of the members are the independent non-executive Directors. The Nomination Committee is chaired by Ms. Zhao Shu. The primary function of the Nomination Committee include (but without limitation): (i) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at lease annually; (ii) reviewing the policy on Board diversity (the "**Policy**"); (iii) making recommendations to the Board on the appointment of members of the Board; and (iv) assessing the independence of independent non-executive Directors;

The purpose of the Policy, which was adopted by the Company on 19 October 2015, is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee shall review the policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the corporate governance of the Board.

Since the Listing Date and up to the date hereof, the Nomination Committee held a meeting on 31 March 2016 with all members present, to assess the independence of independent non-executive Directors, and review the proposed re-appointment of Directors at the annual general meeting of the Company to be held on Friday, 3 June 2016 (the "**Annual General Meeting**"). The Board also discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

(G) Accountability and Audit

Directors' and Auditor's acknowledgement

The Board acknowledges its responsibilities for the preparation of the financial statements of the Group for each financial year, which should give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flow for that year in compliance with relevant laws and applicable accounting standards.

In preparing the financial statements for the year ended 31 December 2015, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the reporting year have been prepared on a going-concern basis.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements of the Group prepared by the Board and to report their opinion to the Shareholders. A statement by the auditor about their reporting responsibilities is set out in the Independent Auditor's Report.

Auditor's Remuneration

During the year, the Company engaged PricewaterhouseCoopers as the external auditor of the Group until the conclusion of the Annual General Meeting.

For the year ended 31 December 2015, the fees paid/payable to PricewaterhouseCoopers for the audit of the financial statements of the Group are RMB4.99 million, of which RMB3.35 million represents audit fees paid in relation to the audit for the Initial Public Offering (as defined below) and listing of the Company.

Fees payable to PricewaterhouseCoopers for non-audit services in relation to agreed-upon procedures on the results announcement for the year ended 31 December 2015 provided to the Group were RMB0.01 million.

Internal Control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and the compliance of applicable laws, rules and regulations.

The Company engaged an independent internal control consultant on 29 January 2015 to review the effectiveness of internal controls associated with major business processes of the Group, identify deficiencies and improvement opportunities, furnish recommendations on remedial actions from February 2015 to March 2015 and review the implementation status of these remedial actions in April 2015. The relevant remedial actions were consistent with those recommended by such consultant in addressing some key findings of its review on the Group's internal controls. Based on the findings and recommendations of the work performed by such consultant, the Board considered that the above internal control measures were adequate and effective.

The Board conducted a review of the effectiveness of the internal control system of the Group. The assessment was made by discussion with the management of the Group and the review performed by the Audit Committee.

Whistle Blowing Policy

To achieve and maintain the highest standards of openness, probity and accountability, the Company has adopted a whistle blowing policy on 19 October 2015. This policy aims to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company. The Audit Committee shall review such policy regularly and ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

(H) Joint Company Secretaries

Mr. Liu Lianchao has been appointed as the joint company secretary since 8 May 2015. Mr. Liu is a full time staff of the Group and is responsible for ensuring. and advising the Board on, compliance of all policies and procedures in connection with the applicable rules and regulations. The Company also engaged Mr. Chan Chung Kik, Lewis, as the joint company secretary since 8 May 2015, who will be responsible for assisting Mr. Liu in performing his duties as the company secretary. For the year ended 31 December 2015, each of Mr. Liu and Mr. Chan has received not less than 15 hours of relevant professional training to update their knowledge and skills.

The biographical details of Mr. Liu and Mr. Chan are set out under the section headed "Directors and Senior Management".

(I) Shareholders' Right

Procedures for Shareholders to convene an extraordinary general meeting

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the extraordinary general meeting.

- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at the extraordinary general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 15th Floor, 80 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of each Eligible Shareholder will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the extraordinary general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the extraordinary general meeting.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company (as amended from time to time), and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for putting forward proposals at general meetings

There are no provisions allowing the Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out section headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

Pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong Branch Share Registrar and Transfer Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. If a Shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's principal place of business at 15th Floor, 80 Gloucester Road, Wanchai, Hong Kong or Hong Kong Branch Share Registrar and Transfer Office at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

The procedures for Shareholders to propose a person for election as director is published on the Company's website.

(J) Constitutional Documents

The constitutional documents of the Company are available on the Company's website and the Exchange's website. There are no changes in the Company's constitutional documents since the Listing Date.

(K) Shareholder and Investor Relations

The Company is committed to providing the Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Group. The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual reports, interim reports, various notices, announcements and circulars. To ensure all Shareholders timely access to important corporate information, the Company utilises its corporate website to disseminate to the Shareholders information such as announcements, circulars and annual and interim reports. Any information or documents of the Company posted on the Stock Exchange's website are also published on the Company's website (www.china-denox.com) under the section headed "Investor Relations". Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management are also available on the Company's website.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans.

The annual general meeting and other general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Company provides Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. The chairlady of the Board and other Directors, the chairmen/chairlady of board committees or their delegates, and the external auditors are available to answer Shareholders' questions at the annual general meeting. The chairman of the independent board committee or his/her delegate is also available to answer questions at any general meeting and to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Shareholders may put forward their written enquiries to the Board. In this regard, the Shareholders may send those enquiries or requests as mentioned to the following:

Address: 15th Floor, 80 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 3915 0505
Telephone: (852) 3914 5053

(L) Competing business

The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their close associates with the Deed of Non-Competition (as defined below). For further details, please refer to the section headed "Competing Business" in the directors' report.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities

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

The activities of the subsidiaries of the Company are set out in note 8 to the consolidated financial statements.

Business Review

Industry analysis

As the air quality in China continues to get worse in recent years, the government has promulgated increasingly strict emission standard for air pollutants, has constantly strengthened the inspection procedures and has given harsher punishment. The environmental protection industry, particularly in the sectors relating to atmospheric control, is a sunrise industry whose development is greatly encouraged by the government. Meanwhile, as we could see, intensified competition within the industry is inevitable and was especially distinctive in 2015.

In response to the increasingly serious air pollution issue, the Chinese government is making an all-out effort to implement air pollution control and prevention measures. Currently, several measures and plans for air pollution control and quantified specific standards have been introduced. Meanwhile, a noticeable upward trend in market shares for plate-type DeNOx catalysts can be seen. As estimated by the independent research consultant, Frost & Sullivan, the demand for plate-type DeNOx catalysts will increase from 75,000 m^3 in 2014 to 171,400 m^3 in 2019. That is to say, the market share of plate-type DeNOx catalysts will increase from 29.7% in 2014 to 44.9% in 2019 at the compound annual growth rate of 18.0%. Moreover, in respect of the environmental protection in the automotive industry, the Ministry of Industry and Information Technology of the PRC introduced Phase IV Standards (國四標準) for diesel-powered vehicles since 1 January 2015. This implies that there would be a widespread demand for DeNOx catalysts for diesel-powered vehicles, which would bring exponential opportunities in the market.

Sales and Marketing

Due to the intensified market competition, the sales and marketing of the Company were affected to a certain extent. Since the second half of 2015, there has been a widespread demand for the existing catalysts being replenished in coal-fired power industry. A summary of the key marketing operations of the Group in 2015 is set out below:

1. ***Greater efforts in sales activities of the Group in 2015***

   The number of official bids submitted by the Group increased from 47 in 2014 to 60 in 2015. Due to the intensified competition, the success rate in terms public bidding decreased from 38.8% in 2014 to 28% in 2015. In the first two months of 2016, the number of contracts increased as compared with the corresponding period in 2015, which is mainly due to (i) the bid for certain projects in second half of 2015 were postponed to 2016; and (ii) the market for replacement of catalysts would be more dominant in 2016, and since the product quality of the Company was widely recognised, second purchase rate was relatively high, many previous customers chose to procure again. The Group made constant efforts in the preparation of pre-sales technical proposals and communications with customers by having pre-sales technical exchanges, product introduction, design liaison and so forth. Manuals on catalyst data management and operational and maintenance matters on a project-by-project basis to provide the customers with the training thereon.

2. Greater efforts in after-sales and customer services

The workload of the after-sales service was rather heavy in 2015. In total, the Group completed installation work of projects for 14 clients, involving 25 generating units. Meanwhile, the after-sales service department also completed the catalyst sampling of 17 generating units for 12 projects. Whenever customers called for after-sales service, the staff of the Group would arrive at the scene right away and their needs have always been the Group's top priority. Throughout the year, the Group received no complaint from the customers. On the contrary, the Group was praised by the customers in various occasions. As indicated by many customers, they would give priority to the Group's catalysts when their catalysts need to be replenished.

3. Greater efforts in overseas sales

The Group is the only PRC manufacturer of plate-type catalysts whose products were exported to manufacturers in Germany and Italy. The Group set up a sales office in Germany to boost the sales in the global market. In January 2016, the Company became the only PRC qualified supplier of Vattenfall AB (publ), after several rounds of strict selection during its plate-type catalysts procurement process around the world. It is expected that such company will purchase a large number of plate-type catalysts from the Group in 2016.

Production management

In 2015, greater efforts were made by relevant departments to intensify the normative and standardised management of the production site. Meanwhile, while working to localise main equipment, the equipment department advanced the retrofitting and optimisation of the equipment to further increase its productivity in 2015. The Company made greater efforts in quality management by paying more attention to inspection and test in every production process and collaborating with the clients to carry out inspections inside the plants. Given that catalysts would be used in complex high-ash and high-speed working environment for a long time, thus high quality of catalysts is required. As far as we know, nearly all of our competitors have suffered various quality issues during the operation of their DeNOx catalysts, however our Group had no product quality issues in all the projects and hence its brand was being highly recognised by the customers.

Research and development in the technology

The Group commenced its research and development of catalysts for diesel-powered vehicles in July 2015. Catalysts for diesel-powered vehicles have been produced on a small scale by the Group's prototype line for manufacturing of coated catalysts and samples of which were delivered to the National Laboratory of China Automotive Technology & Research Center in Tianjin for product testing. The testing results showed that the quality of such products are satisfactory, which laid a solid foundation for the Company to accelerate the purchase of production line for catalyst of large-scale coated and extruded diesel vehicles. At present, the equipment is in the procurement negotiations.

In order to further improve product quality, the research and development department conducted extensive testing on the raw materials, work-in-progress and finished products. After a year of exploration and practices, the testing procedures were refined and improved. Referring to national and industry standards and many other standards, the Group worked out its own standards for the testing of plate-type catalysts, formulated testing standards and inspection reports. The management of laboratories was further refined while standards were made for managing the instrument use in the laboratories. The Group put in more efforts to collect and collate the information on the plate-type DeNOx catalysts industry and continued to monitor the trends in the development of technologies for regeneration and disposal of used SCR DeNOx catalysts across the PRC, paving the way for conducting further research and development on this issue.

DIRECTORS' REPORT

Prospects

Having been listed on the Main Board of the Stock Exchange in November 2015, which was considered by the Company as the sign of the successful conclusion of its first undertaking. The Company is now taking 2016 as the beginning of its second undertaking. For this purpose, the Company will put in greater efforts in 2016 in the following aspects:

1. The Company will make adjustments to its organisational structure and establish an industrial catalyst business department in order to have greater efforts dedicated to marketing, production management, quality control over and reduction in production cost, of industrial catalysts for the mature coal-fired power generation industry. The Company will also set up a new environmental protection technology department in order to have greater efforts dedicated to the development of catalysts for diesel-powered vehicles, catalyst regeneration and disposal of used catalysts and other environmental protection technologies, in order to have such new business driving the Company's growth.

2. The Company will develop new environmental protection technologies and products. In accordance with the Company's strategic planning, the Company will continue to make greater efforts to introduce, digest and transform new environmental protection technologies. Apart from the current industrial catalysts being used in the coal-fired power generation industry, the Company will make continuous efforts to develop catalysts for vehicles and vessels, technologies for disposal of used catalysts and other environmental protection technologies and products that could used for air pollution prevention and control. The Company will need to keep its competitive advantage as a result of its environmental protection technologies and strive to eventually transform these leading technologies into high-quality products and profits for the Company.

3. The Company strongly advocates for reducing production costs through technological innovation, thus increasing its competitiveness. Thanks to the several technological innovations, the productivity and quality of the Company's products were further enhanced in 2015, which brought in fairly noticeable results. In order to keep the competitive advantage in production cost, the Company will bring all the production managers, equipment managers and other technical managers together so as to get them involved in technological innovations. The aim is to achieve continuing production cost reduction and a higher productivity through the optimisation of production process and retrofitting of production equipment in 2016.

4. The Company will continue to make great efforts in marketing and after-sales services

   - The Company will put in greater efforts in promotion and expansion of sales channels, sales and after-sales teams in order to better serve the existing customers and attract new customers.

   - The Company will put in greater efforts in after-sales services by setting up project files for each customer, establishing the mechanism for regular contacts through telephone and SMS and storing the basic information (for example the life-span of catalysts).

   - As the number of used catalysts increases, the Company would focus on disposal of these used catalysts for the customers. This will not only win more customers, but also create new sources of profits for the Company.

   - Relying on our office in the Europe and the sales agents, the Company will continue to put in greater efforts to develop overseas market and serve Vattenfall AB (publ) striving to enter into more export contracts in 2016.

5. Management of holding companies

It is expected that, subject to satisfaction of certain conditions precedent, the acquisition of 51% equity interest in Wuxi Taidi Metal Products Co., Ltd. ("**Wuxi Taidi**") will take place in April 2016, by which its risk would then hedged and its profitability will be enhanced. Upon completion of the said acquisition, Wuxi Taidi will become an indirect non-wholly owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 21 March 2016. Meanwhile, The Company's production base in Gu'an (the "**Gu'an Production Base**"), being in the northern part of China and in Wuxi (the "**Wuxi Production Base**"), being in the southern part of China, could realise a complementary layout. The Group will optimise its utilisation of the two production bases' capacities. Gu'an Production Base will be mainly engaged in the production of industrial catalysts and catalysts for vehicles while Wuxi Production Base will continue to manufacture stainless steel mesh in addition to other ancillary accessories for catalysts by using its remaining production capacities, thus further contributing profits to the Company.

Financial Review

Revenue

The Group derived its revenue primarily from sales of plate-type DeNOx catalysts in the PRC. A small portion of its revenue was generated from the provision of environmental protection consulting services. For the year ended 31 December 2015, the Group recorded a total revenue of approximately RMB149.6 million, of which revenue from sales of plate-type DeNOx catalysts and provision of environmental protection consulting services amounted to approximately RMB149.3 million and approximately RMB0.3 million, respectively. Revenue generated from sales of plate-type DeNOx catalysts decreased by 30.9% from approximately RMB216.0 million in 2014 to approximately RMB149.3 million in 2015. Such decrease was primarily attributable to (i) a 19.8% drop in the average selling price of plate-type DeNOx catalysts per m^3 from RMB25,080 per m^3 in 2014 to RMB20,120 per m^3 in 2015 in the PRC due to more intensified market competition; and (ii) the 13.9% decrease in sales volume of plate-type DeNOx catalysts from 8,613 m^3 in 2014 to 7,420 m^3 in 2015 in view of the expected delay in entering a sales contract to year 2016 due to the delay in the sample testing conducted by such customer.

The following table sets forth revenue generated from sale of goods and provision of services in absolute amount and as percentages of total revenue for the years indicated:

	Year ended 31 December			
	2015		2014	
	Revenue RMB'000	**% of revenue %**	Revenue RMB'000	% of revenue %
Sales of goods	**149,291**	**99.8**	216,010	99.5
Provision of services	**313**	**0.2**	1,132	0.5
Total	**149,604**	**100.0**	217,142	100.0

Cost of sales

Cost of sales primarily consists of raw materials, depreciation and amortisation and employee benefit expenses. Cost of sales of the Group decreased by 8.9% from approximately RMB110.7 million in 2014 to RMB100.9 million in 2015. The decrease in cost of sales was mainly due to decrease in sales volume of plate-type DeNOx catalysts to 7,420 m^3 in 2015.

Gross Profit and gross profit margin

Our gross profit decreased by 54.2% from approximately RMB106.4 million in 2014 to approximately RMB48.7 million in 2015. The gross profit margin decreased from 49.0% in 2014 to 32.6% in 2015, primarily due to the decrease in the average selling price of plate-type DeNOx catalysts to RMB20,120 per m^3 in 2015.

Selling and marketing expenses

Selling and marketing expenses primarily consist of bidding service fee, consulting service expenses and transportation cost. The Group's selling and marketing expenses decreased by 52.8% from approximately RMB7.8 million in 2014 to approximately RMB3.7 million in 2015, representing 2.5% (2014: 3.6%) of the Group's total revenue. Such decrease was primarily due to the 71.6% decrease in transportation cost to approximately RMB1.1 million as fewer shipments were provided in 2015.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation, research and development expenses and listing expenses. The Group's administrative expenses increased by 327.7% from approximately RMB12.9 million in 2014 to approximately RMB55.1 million in 2015. Such increase was primarily due to the occurrence of one-off listing expenses of approximately RMB28.0 million and share-based compensation expenses of approximately RMB10.2 million arising from the repurchase of 138,889 Ordinary Shares and 138,889 Ordinary Shares from Advant Performance Limited and EEC Technology Limited by the Company in February 2015 (the "**Repurchase**").

Other gains – Net

Other gains (net) primarily consist of subsidy income, foreign exchange gains or losses and loss on disposal of property, plant and equipment. The Group's other gains (net) increased from approximately RMB0.2 million in 2014 to approximately RMB2.5 million in 2015. Such increase was mainly due to the receipt of RMB2.0 million the Group from local government of Gu'an, Hebei Province for the successful listing of the Shares on the Main Board of the Stock Exchange.

Finance (costs)/income (Net)

Finance (costs)/income (net) primarily consist of finance income and finance costs. Finance costs includes the costs for issuance of series A preferred shares of the Company (the "**Series A Preferred Shares**"). Finance income includes interest income on cash and cash equivalents and restricted cash deposits and foreign exchange gains on financing activities. The Group recorded a net finance costs of approximately RMB1.1 million for the year ended 31 December 2015 as compared to a net finance income of approximately RMB0.3 million for the year ended 31 December 2014. Such increase in the finance cost was primarily due to the expenses for issuance of the Series A Preferred Shares of approximately RMB3.8 million incurred in 2015, partially offset by approximately RMB2.4 million foreign exchange gains in US$ denominated banks deposits.

Income tax expense

The Group is subject to PRC and Hong Kong income tax. The enterprise income tax rate generally levied in the PRC and Hong Kong is 25% and 16.5%, respectively. Beijing Denox Environmental & Technology Co., Ltd. ("**Beijing Denox**"), a wholly-owned subsidiary of the Company, was designated a "High and New Technology Enterprise" and enjoyed a preferential enterprise income tax rate of 15% for three years ending 31 December 2017.

For the year ended 31 December 2015, income tax expenses of the Group reduced by 55.1% from approximately RMB12.6 million in 2014 to approximately RMB5.7 million in 2015. The effective tax rate increased from 14.6% in 2014 to 18.2% in 2015. Such increase in the effective income tax rate was primarily because the fair value gain of Series A Preferred Shares and listing expenses were non-taxable or non-deductible.

Profit attributable to the Shareholders and net profit margin

As a result of the aforegoing, the profit attributable to the Shareholders decreased by 65.3% from approximately RMB73.5 million in 2014 to approximately RMB25.5 million in 2015. Net profit margin decreased from 33.9% in 2014 to 17.1% in 2015.

Other performance indictors

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	
	2015	2014
Current Ratio *(Note 1)*	**9.9 times**	1.1 times
Quick Ratio *(Note 2)*	**8.8 times**	0.5 time
Return on equity *(Note 3)*	**9.6%**	98.2%
Return on total assets *(Note 4)*	**6.92%**	31.8%

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 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 net profit of the Group for the year attributable to owners of the Company 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 net profit for the year attributable to owners of the Company 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 increased from 1.1 times as at 31 December 2014 to 9.9 times as at 31 December 2015 and quick ratio increased from 0.5 time as at 31 December 2014 to 8.8 times as at 31 December 2015. Such increase was primarily due to the receipt of approximately RMB318.9 million proceeds from issuance of the Series A Preferred Shares and the Initial Public Offering (as defined below) (collectively, the "**Offering**").

Return on equity

The Group's return on equity decreased from 98.2% in 2014 to 9.6% in 2015 primarily due to the decrease of net profit of the Group in 2015 and the increase in total equity in 2015 as a result of the Offering.

Return on total assets

The Group's return on total assets decreased from 31.8% in 2014 to 6.9% in 2015 primarily due to the decrease of net profit of the Group in 2015 and receipt of proceeds from the Offering in 2015.

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 2015, the Group had net current assets of approximately RMB383.4 million (2014: approximately RMB14.9 million) of which cash and cash equivalents were approximately RMB229.4 million (2014: approximately RMB45.3 million) and were denominated in RMB, US$ and HK$ as at 31 December 2015.

The Group had no bank borrowings as at 31 December 2014 and 2015. The Group had bank guarantees of RMB13.9 million and RMB5.9 million in favor of its customers with respect to the contract penalties or obligations in connection with its performance, product quality and tender as at 31 December 2014 and 2015. Unutilised bank facilities amounted to approximately RMB11.1 million and approximately RMB19.1 million as at 31 December 2014 and 2015, respectively.

In February 2015, the Company issued a total of 742,550 and 403,452 Series A Preferred Shares to Kickstart Holdings Limited ("**Kickstart**") and Sea of Wealth International Investment Company Limited ("**Sea of Wealth**", together with Kickstart, the "**Series A Investors**") at the consideration of approximately US$15.0 million and US$8.1 million, respectively as part of the Pre-IPO investments (as defined below). The aggregate nominal value of the 1,146,002 Series A Preferred Shares was US$11,460.02. The cost per Series A Preferred Share and net cost per Series A Preferred Share was approximately US$0.37 and US$0.36. Such issue price was calculated based on the amount of the consideration paid by the Series A Investors, divided by the number of Shares held by them immediately following completion of the Initial Public Offering (as defined below). As disclosed in the prospectus of the Company dated 30 October 2015 (the "**Prospectus**"), US$6.15 million shall be used for the Repurchase and the remaining balance shall be used for the business expansion, operations and development of the Group. As at the date of this report, US$6.15 million and US$5.7 million were utilised for the Repurchase and general working capital, respectively. The remaining balance of US$11.25 million has not been utilised as at the date of this report.

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

Use of net proceeds from the Listing

As at 31 December 2015, net proceeds not utilised of approximately RMB170.6 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.

	Planned Amount RMB'million	Amount utilised up to 31 December 2015 RMB'million	Balance as at 31 December 2015 RMB'million
Development of DeNOx catalysts for diesel-powered vehicles	78.6	–	78.6
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	–	46.2
Research and development	17.1	0.3	16.8
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as in Europe	6.9	–	6.9
Replacement of the Group's No. 1 production line	5.1	0.1	5.0
Working capital and general corporate purposes	17.1	–	17.1
	171.0	0.4	170.6

Borrowings

As at 31 December 2015, the Group had no outstanding bank loans and other borrowings (2014: Nil).

Pledge assets

As at 31 December 2015, the Group pledged assets with an aggregate carrying value of approximately RMB13.1 million (31 December 2014: approximately RMB10.2 million) to secure banking facilities.

Capital expenditure and commitments

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the years ended 31 December 2014 and 2015, the Group had invested approximately RMB6.2 million and RMB4.1 million for the purchase of property, plant and equipment and nil and RMB2.0 million for intangible assets, respectively. These capital expenditures were financed by internal resources of the Group.

As at 31 December 2015, the Group's future capital expenditures contracted but not provided for amounted to approximately RMB3.1 million (31 December 2014: Nil).

Contingent liabilities

As at 31 December 2014 and 2015, the Group did not have any material contingent liabilities.

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 other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2015.

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

Important events affecting the Group after the reporting period

On 21 March 2016, Beijing Denox entered into an equity transfer agreement with Mr. Chen Zhengfang (陳正芳) and Mr. Zhu Xilin (朱希林) ("**Mr. Zhu**"), pursuant to which Beijing Denox conditionally agreed to acquire, and (a) Mr. Chen Zhengfang conditionally agreed to dispose of 11% equity interest in Wuxi Taidi at a consideration of approximately RMB4.7 million; and (b) Mr. Zhu conditionally agreed to dispose of 40% equity interest in Wuxi Taidi at a consideration of RMB17.2 million, respectively. Upon completion of such acquisitions, Wuxi Taidi will be owned as to 51%, 30%, 14% and 5% by Beijing Denox, Mr. Chen Zhengfang and two minority shareholders, respectively. Accordingly, Wuxi Taidi will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group upon completion of such acquisitions. Such consideration shall be satisfied by the proceeds raised from the Initial Public Offering. As at the date of this report, such acquisitions are not yet completed.

Save as disclosed above, no other important events affecting the Group has taken place since 31 December 2015 and up to the date of this report.

Employees

As at 31 December 2015, the Group had 119 employees (2014: 118). 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. Further information of such share option scheme will be available in the annual report of the Company. 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.

Principal Risks and Uncertainties

The Group's business, financial condition, results of operations and prospects may be affected by a number of risks and uncertainties.

The following section lists out the principal risks and uncertainties identified by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risk areas outlined below which are not presently known to the Group, or that the Group currently deems to be immaterial but could turn out to be material in the future.

Risks pertaining to the Group's business growth

The plate-type DeNOx catalyst industry for industrial sources in China experienced growth since 2012 when the PRC government imposed compulsory requirements on the installation of DeNOx equipment in the coal-fired power generation industry and tightened emissions controls on NOx. Massive volumes of DeNOx catalysts were installed in 2013, which is expected to lead to replenishment with new DeNOx catalysts or regeneration of the existing DeNOx, commencing from 2016. Separately, DeNOx catalysts for diesel-powered vehicles is a new emerging market in China in order to meet the increasingly strict emission standard for diesel-powered vehicles. In The Group's future growth is highly dependent on the replenishment and regeneration services to coal-fired power plants and development and marketability of the DeNOx catalysts for diesel-powered vehicles.

Risks pertaining to the reliance on the major customers

The customer base of the Group is highly concentrated. Most of its customers are the major coal-fired power plants, DeNOx EPC service providers and boiler manufacturers. For the year ended 31 December 2015, sales to the largest customer and five largest customers of the Group in aggregate accounted for approximately 21.3% and 58.1% of the Group's total revenue, respectively, which are large state-owned power generation groups in China. Failure to maintain relationships with its major customers, adverse change in their business, investment strategies and/or reduction in the growth rate of their investment in DeNOx equipment may pose an adverse significant impact on the Group's business, financial conditions or results of operations.

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$ and US$. RMB experienced certain fluctuation against HK$ and US$ during the year 2015 which is the major reason for the exchange gains recognised by the Group. During the year ended 31 December 2015, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Environmental Protection

The business operations of the Group are subject to various environmental, health and safety laws and regulations, which require it to undergo environmental impact assessments and review processes and implement environmental, health and safety programs and procedures to control risks associated with the design, construction and operation of the production facilities of the Group. Further, the Group has established an environmental protection and responsibility system, including adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials, to discharge waste properly and to pay certain discharge fees in accordance with the PRC Environmental Protection Law and related regulations.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Board also paid attention to the Group's policies and practices on compliance with legal and regulatory requirements. The Group would seek professional legal advice from its legal advisers to ensure transactions and business to be performed by the Group are in compliance with the applicable laws and regulations.

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. As far as the Company is aware, the Group has complied in material aspects with the relevant laws and regulations which have a significant impact on the business and operations of the Group during the year ended 31 December 2015.

Key Relationships with the Group's Employees, Customers and Suppliers

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. With an aim to enhancing the quality of the Board's performance by diversity, the board diversity policy was adopted in October 2015. Details of such board diversity policy are set out in the corporate governance report. Further, the Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, employees' rights and benefits. The Group establishes and implements policies that promote a harmony and respectful workplace.

The Group believes that the Directors, senior management and employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the share option scheme was adopted by the Company on 14 October 2015 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, such as annual dinner, to promote staff relationship. The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group maintains good relationships with existing and potential customers (including the major customers) as understanding of the market trends would enable the Group to monitor and respond to the change in a timely manner, which are crucial to the development and success of the Group.

The Group places effort to build up and maintain good and stable relationships with its suppliers. It entered into an exclusive long-term procurement agreement for a term until 31 December 2020 with Wuxi Taidi, its supplier of stainless steel mesh and non-fixed term agreements with its key suppliers of TiO2 and AHM. To further strengthen such cooperation and to complement its existing operations, it plans to acquire 51% equity interest in Wuxi Taidi as disclosed in this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the accompanying financial statements on page 47.

Final Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

Closure of Register of Members

For determining the entitlement of the Shareholders to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 1 June 2016 to 3 June 2016, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 31 May 2016.

Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years is set out on page 103.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 5 to the consolidated financial statements.

Share Capital and Reserves

During the year ended 31 December 2015, the Company issued Shares as follows:

(a) 555,555 Ordinary Shares were issued for cash at US$0.01 each to Zymmetry Investments Limited ("**Zymmetry**") in January 2015 as part of the reorganisation arrangements undergone in preparation for the Listing;

(b) 742,550 and 403,452 Series A Preferred Shares for cash at US$20.2 each to Kickstart and Sea in February 2015 as part of the Pre-IPO investments (the "**Pre-IPO Investments**");

(c) 504,890 Ordinary Shares were issued for cash at approximately US$20.2 each in February 2015 to the then shareholders of the Company (other than the Series A Investors) in proportion to their then shareholding so as to raise funds for the acquisition of Beijing Denox and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd. (the "**Subscription**");

(d) 368,071,331 Ordinary Shares were issued upon capitalisation of the share premium account of the Company in the amount of US$3,680,713.31 to the persons whose names appear on the register of members of the Company immediately prior to the Listing Date on a prior rata basis; and

(e) 125,000,000 Ordinary Shares were issued for cash at HK$2.10 per offer share as part of the Initial Public Offering.

Details of the share capital and reserves of the Group and the Company are set out in notes 14 and 15 to the consolidated financial statements, respectively. Save as disclosed above, there were no changes in the number of the issued Shares during the year ended 31 December 2015.

Equity-Linked Agreements

As part of the Pre-IPO Investments, the Group entered into a share purchase agreement with, among others, the Series A Investors (the "**Series A Preferred Share Purchase Agreement**") on 29 January 2015. Pursuant to which the Series A Investors, subject to certain conditions including but not limited to the Repurchase and the entering into the shareholders' agreement with, among others, the Group, agreed to subscribe for a total number of 1,146,002 Series A Preferred Shares at an aggregate consideration of approximately US$23.1 million. In February 2015, 742,550 and 403,452 Series A Preferred Shares were issued by the Company to Kickstart and Sea of Wealth and were re-designated and re-classified as Ordinary Shares of US$0.01 immediately prior to the Listing.

Other than the Share Option Scheme (as defined below) and the Series A Preferred Shares as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

Major Customers and Suppliers

For the year ended 31 December 2015, the aggregate sales attributable to the five largest customers and the largest customer of the Group accounted for approximately 58.1% and 21.3% of the Group's aggregate revenue, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 77.4% and 46.9% of the Group's aggregate purchases.

None of the Directors, their close associates or any Shareholder (whom to the knowledge of the Directors owns more than 5% of the number of the issued Shares) had any interests in the Group's five largest customers or suppliers.

Share Option Scheme

On 14 October 2015, the Company adopted a share option scheme (the "**Share Option Scheme**") whereby the Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares to (a) full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (b) any directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries (the "**Eligible Participants**") as described in the Share Option Scheme in order to serve as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries. An option may be accepted by an Eligible Participant not later than 30 days after the date on which such option is offered in writing to such Eligible Participant.Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. Details of the Share Option Scheme are set out below:

(a) Maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 50,000,000 Shares, representing 10% of the total number of Shares as at the date of this report, respectively, excluding for this purpose Shares which may have been issued upon the exercise of the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the terms of the Share Option Scheme whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph

(b) Maximum number of options to each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if such Eligible Participant is a connected person) abstaining from voting.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(d) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting by way of a poll at which all connected persons of the Company shall abstain from voting in favor of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(e) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from 14 October 2015.

(f) Details of any options granted under the Share Option Scheme

From the Listing Date and up to the date hereof, no option had been granted or agreed to be granted under the Share Option Scheme.

Directors

The Directors during the year ended 31 December 2015 and up to the date of this report were:

Executive Directors

Ms. ZHAO Shu
Mr. KONG Hongjun *(appointed on 9 February 2015)*
Mr. LI Ke *(appointed on 9 February 2015)*

Non-executive Directors

Mr. LI Xingwu
Mr. TEO Yi Dar *(appointed on 9 February 2015)*
Mr. JIA Wenzhong *(appointed on 9 February 2015 and resigned on 16 December 2015)*

Independent non-executive Directors

Mr. LI Junhua *(appointed on 18 October 2015)*
Mr. LAM Yiu Por *(appointed on 18 October 2015)*
Mr. ONG Chor Wei *(appointed on 18 October 2015)*

Note:

Mr. Liu Lianchao served as a Director since the incorporation of the Company to 14 April 2015; whereas Mr. Xu Han served as a Director during the period from 9 February 2015 to 14 April 2015. Each of them resigned as a Director with effect from 15 April 2015.

Biographical details of the Directors and senior management of the Group are set forth in the section headed "Directors and Senior Management" of this report.

In accordance with Article 84(1) of the Articles of Association, one-third of the Directors for the time being shall retire from their offices by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Further to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. As such, Ms. Zhou Shu, Mr. Kong Hongjun, Mr. Li Ke, Mr. Li Xingwu, Mr. Teo Yi-Dar and Mr. Li Junhua shall retire from office and being eligible, offer themselves for re-election at the Annual General Meeting.

Disclosure of Information on Directors pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the Prospectus are set out below:

Name of Director(s)	Details of the changes
Mr. Lam Yiu Por	• appointed as a non-executive director of Zhong Ao Home Group Limited (Stock Code: 1538)(whose shares were listed on 25 November 2015) on 17 April 2015
	• resigned as an independent non-executive director of Yat Sing Holdings Limited (Stock Code: 3708) on 3 March 2016

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Confirmation of Independence

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent.

Directors' Service Contracts

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing from the Listing Date. Such service contract can be terminated by either party thereto serving at least three months' notice prior to the expiry of the term thereof. Each of the independent non-executive Directors signed an appointment letter with the Company for a term of three years with effect from the Listing Date.

None of the Directors (including any Director who may be proposed for re-election at the forthcoming Annual General Meeting) has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

Retirement Benefit Schemes

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") in Hong Kong. The Group also participates in an employee social insurance plan as required by the regulations in the PRC, under which the Group is required to contribute a specific percentage of the salaries of its employees to the retirement scheme. Details of the retirement benefits schemes of the Group are set out in note 2.22 to the consolidated financial statements.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding *(Note 2)*
Ms. Zhao Shu	Beneficial owner	14,812,477 (L)	2.9%
	Interest in controlled corporation *(Note 3)*	149,887,609 (L)	30.0%
Mr. Li Xingwu	Interest in controlled corporation *(Note 4)*	51,075,015 (L)	10.2%
Mr. Kong Hongjun	Interest in controlled corporation *(Note 5)*	8,887,475 (L)	1.8%
Mr. Li Ke	Interest in controlled corporation *(Note 6)*	2,962,474 (L)	0.6%

Notes:

1. *The letter "L" denotes the person's long position in the Shares.*

2. *The percentages are calculated based on 500,000,000 Shares in issue as at 31 December 2015.*

3. *These 149,887,609 Shares are held by Advant Performance which is wholly owned by Ms. Zhao. Ms. Zhao is deemed to be interested in these Shares by virtue of the SFO.*

4. *These 51,075,015 Shares are held by EEC Technology which is wholly owned by Mr. Li. Mr. Li is deemed to be interested in these Shares by virtue of the SFO.*

5. *These 8,887,475 Shares are held by Global Reward Holdings Limited ("**Global Reward**") which is wholly owned by Mr. Kong. Mr. Kong is deemed to be interested in these Shares by virtue of the SFO.*

6. *These 2,962,474 Shares are held by Fine Treasure Asia Holdings Limited ("**Fine Treasure**") which is wholly owned by Mr. Li Ke. Mr. Li Ke is deemed to be interested in these Shares by virtue of the SFO.*

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

During the year ended 31 December 2015,

(a) Ms. Zhao Shu (together with her associates) subscribed for 265,296 Ordinary Shares, being part of the Subscription, in February 2015, resulting in an increase of approximately 0.06% in her shareholding in the Company immediately after the Subscription;

(b) EEC Technology, a company wholly owned by Mr. Li Xingwu subscribed for 82,574 Ordinary Shares, being part of the Subscription, in February 2015, resulting in an increase of approximately 0.2% in its shareholding in the Company immediately after the Subscription;

(c) Global Reward subscribed for 14,209 Ordinary Shares, being part of the Subscription, in February 2015, resulting in an increase of approximately 0.03% in its shareholding in the Company immediately after the Subscription; and

(d) Fine Treasure, a company wholly owned by Mr. Li Ke subscribed for 4,736 Ordinary Shares, being part of the Subscription, in February 2015, resulting in an increase of approximately 0.01% in its shareholding in the Company immediately after the Subscription.

Save as the arrangements as described above and the Share Option Scheme as disclosed in this annual report, at no time during the year ended 31 December 2015 was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests in Securities

As at 31 December 2015, so far as the Directors were aware of, the following persons' (other than the Directors and chief executive of the Company) interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding *(Note 2)*
Advant Performance	Beneficial owner	149,887,609 (L)	30.0%
EEC Technology	Beneficial owner	51,075,015 (L)	10.22%
Kickstart Holdings Limited	Beneficial owner	40,188,996 (L)	8.03%
Spring Capital Asia Fund, L.P.	Interest in controlled corporation *(Note 3)*	40,188,996 (L)	8.03%
Zymmetry	Beneficial owner	25,383,717 (L)	5.08%
Toe Teow Heng	Interest in controlled corporation *(Note 4)*	25,383,717 (L)	5.08%

Notes:

1. *The letter "L" denotes the person's long position in the Shares.*
2. *The percentages are calculated based on the 500,000,000 Shares in issue as at 31 December 2015.*
3. *Kickstart is beneficially and wholly owned by Spring Capital Asia Fund, L.P.. Spring Capital Asia Fund, L.P. is deemed to be interested in these Shares held by Kickstart by virtue of the SFO.*
4. *Zymmetry is beneficially and wholly owned by Toe Teow Heng. Toe Teow Heng is deemed to be interested in these Shares held by Zymmetry by virtue of the SFO.*

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

Controlling Shareholders' Interests in Contracts

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group has been made during the year ended 31 December 2015.

Permitted Indemnity Provision

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its directors and officers.

Competing Business

A deed of non-competition dated 25 October 2015 (the "**Deed of Non-Competition**") was entered into between the Company and the controlling Shareholders, namely Ms. Zhao Shu and Advant Performance, who have undertaken to the Company that she/it would not, and would procure her/its close associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business (other than the Group's business) that directly or indirectly, competes, or may compete, with the Group's business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time, unless otherwise permitted according to the Deed of Non-Competition. The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their close associates with the Deed of Non-Competition.

Each of Ms. Zhao Shu and Advant Performance, the controlling shareholders (within the meaning of the Listing Rules) of the Company, has confirmed to the Company that each of them and its close associates has complied with the non-compete undertaking given by her to the Company under the Deed of Non-competition. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2015.

Other than the Group's business, none of the Directors or their respective associates have any interests in any business that competes or is likely to compete with the Group's business during the year ended 31 December 2015.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the during the period from the Listing Date to 31 December 2015.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules during the year. Having made specific enquiries with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the period from the Listing Date to 31 December 2015.

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.

As the Shares were initially listed on the Main Board of the Stock Exchange on the Listing Date, the CG Code as contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period from 1 January 2015 to 11 November 2015. During the period from the Listing Date to 31 December 2015, the Company has complied with the applicable code provisions of the CG Code with the exception of code provision A.2.1 as set out below.

According to code provision A.2.1 of the CG Code, the role of the chairman and chief executive of the Company should be separate and should not be performed by the same individual. In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Ms. Zhao Shu, who is also the chairlady of the Company; and (b) Ms. Zhao Shu is 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.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, the Company has maintained the prescribed public float as required by the Listing Rules since the Listing Date and up to the date of this report.

Review by the Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Li Junhua, Mr. Lam Yiu Por and Mr. Ong Chor Wei. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2015 in conjunction with the Company's auditors and management and has also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

Auditor

The financial statements have been audited by PricewaterhouseCoopers which has indicated its willingness to continue in office as the Group's external auditor for 2016 for Shareholders' approval at the Annual General Meeting.

Professional Tax Advice Recommended

If any shareholder of the Company is unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares, it is advised to consult an expert.

On behalf of the Board
Zhao Shu
Chairlady

Hong Kong, 31 March 2016

BOARD OF DIRECTORS

Executive Directors

Ms. Zhao Shu (趙姝), aged 50, was appointed as a Director on 7 November 2014 and was re-designated as an executive Director on 19 October 2015. She is primarily responsible for the overall management of the Group. Ms. Zhao is the chairlady of the Board, the chief executive officer and authorised representative of the Company, the chairlady of the Nomination Committee and a member of the Remuneration Committee. Ms. Zhao is also the general manager of Beijing Denox and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd. ("**Gu'an Denox**"). Ms. Zhao has over 20 years of experience in the environmental protection industry. Prior to joining the Group, Ms. Zhao held various positions in the 5th Design and Research Institute of China Ordinance Industry (中國兵器工業第五設計研究院), now known as China Wuzhou Engineering Corporation Ltd. (中國五洲工程設計有限公司), a company providing integrated services for engineering construction, from August 1988 to February 1998 where she last served as an engineer and was primarily responsible for coordinating with different professionals to complete the whole design of power projects. From February 1998 to December 2004, Ms. Zhao held various positions in China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司), a prime contractor for project construction and service applied in the industry of electronic power, petrifaction, harbor, metallurgy, mining, civilian and new energy engineering where she last served as executive deputy general manager of its desulphurization business department and was primarily responsible for the implementation of the prime contracts and procurement contracts. From February 2005 to February 2006, Ms. Zhao served as the general manager assistant of Guohua Ebara Environmental Engineering Co., Ltd. (國華荏原環境工程有限責任公司), a company engaging in environmental engineering projects where she was primarily responsible for handling commercial and legal matters. From March 2006 to May 2011, Ms. Zhao held various positions in China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司), a prime contractor for the projects related to environmental protection for the power industry, including denitrification in power plants where she served as the general manager of its environmental affairs department until late 2010 and was primarily responsible for the management of the desulphurization and denitrification business. Ms. Zhao received her bachelor of engineering, majoring in engineering for thermal power conversion, from Shanghai Institute of Mechanism (上海機械學院), now known as the University of Shanghai for Science and Technology (上海理工大學) in July 1988. Ms. Zhao obtained the qualification as a senior project manager (高級項目管理師) granted by the Occupational Skills Appraisal Center from the Ministry of Labor and Social Security (勞動和社會保障部職業技能鑒定中心) in November 2006. Ms. Zhao is interested in 14,812,477 Shares. By virtue of the SFO, Ms. Zhao was deemed to be interested in 149,887,609 Shares held by Advant Performance, a company wholly owned by Ms. Zhao. For further details, please refer to the section headed "Directors' and chief executive's interests in Shares, Underlying Shares and Debentures" in the directors' report.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kong Hongjun (孔紅軍), aged 48, was appointed as the Director on 9 February 2015 and was re-designated as an executive Director on 19 October 2015. Mr. Kong is also the deputy general manager of Beijing Denox, Gu'an Denox and the Company and is primarily responsible for the cost management of raw materials and equipment procurement of, and provision of technical support to, the Group. Prior to joining the Group, Mr. Kong served as procurement manager of the environmental protection department of China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司), a company principally engaged in for project construction and service applied in the industry of electronic power, petrifaction, harbor, metallurgy, mining, civilian and new energy engineering, from May 1993 to April 2006, where he was primarily responsible for the procurement of machinery. From June 2006 to April 2008, he served as the general manager of Beijing Mixwell Mixing Equipment Co., Ltd. (北京邁士華混合設備有限公司), a manufacturer of mixers, where he was primarily responsible for management of the company. Mr. Kong held various positions in China Datang Technology & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) from May 2008 to February 2011 where he last served as deputy manager of the environmental affairs department and was primarily responsible for procurement management, project management and cost control. Mr. Kong received his bachelor of engineering from China University of Mining and Technology (中國礦業大學) in July 1990, majoring in engineering for thermal power engineering (電廠熱能動力工程) of power plants. He received his master of engineering from Southeast University (東南大學) in February 1993, majoring in thermal power engineering (電廠熱能動力工程) of power plants. Mr. Kong obtained the qualification as an engineer granted by the Ministry of Electric Power Industry of the PRC (中華人民共和國電力工業部) in September 1996. By virtue of the SFO, Mr. Kong was deemed to be interested in 8,887,475 Shares held by Global Reward. For further details, please refer to the section headed "Directors' and chief executive's interests in Shares, Underlying Shares and Debentures" in the directors' report.

Mr. Li Ke (李可), aged 48, was appointed as the Director on 9 February 2015 and was re-designated as an executive Director on 19 October 2015. Mr. Li is also the deputy general manager of Beijing Denox, Gu'an Denox and the Company. He is primarily responsible for the production management, equipment management, research and development and quality control of the Group. Prior to joining the Group, he was the assistant engineer of Scivic Engineering Corporation (機械工業第四設計研究院), a company engaged in the engineering management and supervision, from July 1991 to January 1994 where he was primarily responsible for the design of power stations. From February 1994 to January 2010, Mr. Li held various positions in Kurabo Denim (Zhuhai) Textile Co., Ltd. (倉紡(珠海) 紡織有限公司), a company engaged in manufacturing of textile products, where he last served as the head of its engineering works department and was primarily responsible for the set-up and maintenance of the equipment and enhancement of technical alterations. Mr. Li received his bachelor of engineering from Southeast University (東南大學) in July 1991, majoring in thermal power engineering (電廠熱能動力工程) of power plants. Mr. Li was awarded the China Machinery Industry Science and Technology Award (Third Class) in October 2012. By virtue of the SFO, Mr. Li was deemed to be interested in 2,962,474 Shares held by Fine Treasure. For further details, please refer to the section headed "Directors' and chief executive's interests in Shares, Underlying Shares and Debentures" in the directors' report.

Non-executive Directors

Mr. Li Xingwu (李興武), aged 49, was appointed as the Director on 7 November 2014 and was re-designated as a non-executive Director on 19 October 2015. Prior to joining the Group, Mr. Li held various positions in China National Electric Equipment Corporation (中國電工設備總公司), now known as China National Electric Engineering Co., Ltd. (中國電力工程有限公司), a company engaged in EPC contracting, complete equipment supply, engineering consultation, engineering design, project management and supervision, installation and commissioning, technical service, power plant maintenance and operation from July 1988 to January 2000 where he last served as project manager and was primarily responsible for providing technical support and advice to major projects and helping to promote technological innovation. From January 2000 to July 2009, Mr. Li served as project manager of General Machinery Development Co., Ltd. (通達機械有限公司), a trading company engaged in the sale of various types of general machinery, electrical equipment and instrument products, where he was primarily responsible for implementation and management of the transportation and water supplies projects. Since August 2009, Mr. Li founded Yu The Great Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程 (北京) 有限公司), a contractor for construction projects where he serves as the chairman and is primarily responsible for strategic planning. Mr. Li received his bachelor of engineering, majoring in engineering for thermal conversion, from Shanghai Institute of Mechanism (上海機械學院), now known as University of Shanghai for Science and Technology (上海理工大學) in July 1988. Mr. Li obtained the qualification as a senior engineer (高級工程師) in respect of construction of the thermal conversion granted by the Ministry of Mechanical Industry (機械工業部) in October 1998. By virtue of the SFO, Mr. Li was deemed to be interested in 51,075,015 Shares held by EEC Technology. For further details, please refer to the section headed "Directors' and chief executive's interests in Shares, Underlying Shares and Debentures" in the directors' report.

Mr. Teo Yi-Dar (張毅達), aged 45, was appointed as the Director on 9 February 2015 and was re-designated as a non-executive Director on 19 October 2015. Mr. Teo has over 15 years of direct investment experience. From July 1996 to June 1997, Mr. Teo served as a manufacturing engineer in SGS-Thomson Microelectronics Pte. Ltd. (now known as ST Microelectronics), a company engaged in the manufacturing of semiconductors, where he was primarily responsible for manufacturing. From July 1997 to September 1999, Mr. Teo served as a business development executive of Keppel Corporation Limited (Stock Code: BN4), a company engaged in the marine, property, and infrastructure businesses and whose shares are listed on the Singapore Exchange, where he was primarily responsible for business development. Since October 1999, Mr. Teo joined SEAVI Advent Private Equity Group, a capital firm, where he is currently an investment director and is primarily responsible for managing direct investment activities in Asia. Mr. Teo was, or has been, a non-executive director of the following companies in the last three years preceding the date of this annual report:

DIRECTORS AND SENIOR MANAGEMENT

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
July 2006 to present	Yangzijiang Shipbuilding (Holdings) Ltd., whose shares are listed on the Singapore Exchange (Stock Code: BS6)	Agency service for shipbuilding and related activities	Independent non-executive director	Overseeing the management independently
March 2007 to present	China Yuanbang Property Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: B2X)	Development of real estate	Independent non-executive director	Overseeing the management independently
July 2008 to May 2012 *(Note 1)*	Sin Heng Heavy Machinery Ltd ("**Sin Heng**"), whose shares are listed on the Singapore Exchange (Stock Code: KF4)	Rental and trading of cranes, aerial lifts and other lifting equipment	Non-executive director	Overseeing the management
February 2010 to April 2015 *(Note 2)*	Net Pacific Financial Holdings Limited ("**Net Pacific**"), whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Provision of financial services	Independent non-executive director	Overseeing the management independently
November 2010 to November 2013 *(Note 3)*	Hainan Shuangcheng Pharmaceuticals Co., Ltd ("**Hainan Shuangcheng**"), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002693)	Pharmaceutical applications, with integration of research & development, manufacturing and sales	Non-executive director	Overseeing the management
February 2013 to present	Smartflex Holdings Ltd., whose shares are listed on the Singapore Exchange (Stock Code: 5RE)	Provider of IC module assembly and testing services	Independent non-executive director	Overseeing the management independently
November 2014 to present	HG Metal Manufacturing Limited, whose shares are on the Singapore Exchange (Stock Code: 526)	Trading of steel products	Non-executive Director	Overseeing the management

Notes:

(1) In view of the sale of shares in Sin Heng by funds managed by and advised by SEAVI Advent Corporation Limited, Mr. Teo, being nominated to the board of Sin Heng by such funds, ceased to be the non-executive director of Sin Heng in May 2012.

(2) Mr. Teo retired as an independent non-executive director of Net Pacific at the annual general meeting held in April 2015 and did not stand for re-election in order to focus on his other commitments.

(3) Mr. Teo was appointed as a non-executive director of Hainan Shuangcheng for a term of three years commencing from November 2010. Hainan Shuangcheng Pharmaceuticals Co., Ltd was an investment in the portfolio of SEAVI Advent Private Equity Pte. Ltd., where he was nominated to the board of Hainan Shuangcheng. In considering that SEAVI Advent Private Equity Pte. Ltd. had divested from Hainan Shuangcheng in 2013, Mr. Teo retired as a non-executive director of Hainan Shuangcheng in November 2013.

Mr. Teo received his bachelor of engineering (electrical), master of science, majoring in industrial and systems engineering, and master of science, majoring in applied finance, from the National University of Singapore in July 1996, June 1998 and August 2000, respectively. Mr. Teo obtained his qualification as a chartered financial analyst granted by the Association for Investment Management and Research in September 2001.

Independent Non-executive Directors

Mr. Li Junhua (李俊華), aged 46, was appointed as the independent non-executive Director on 18 October, 2015. Mr. Li is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Since December 2007, Mr. Li has been a researcher in the school of environment of Tsinghua University where he is currently a professor and is primarily responsible for teaching and researching air pollution control. His research projects are related to environmental catalysis, adsorbent materials and observation of air pollution complex and formation mechanism. Mr. Li received his doctorate's degree in engineering, majoring in natural circulation and nuclear materials (核燃料循環與材料), from the China Institute of Atomic Energy in July 2001. Mr. Li is the co-author of a book entitled "Environmental Catalysis: Principle and Application" published by Science Press in 2008. Mr. Li is also an author of a book entitled "Development and Application of Key Technologies for Selective Catalytic Reduction of NOx from Flue Gas" published by Science Press in 2015. He was awarded the National Science Progress award (Second Class) in November 2010 by the State Council of the PRC.

Mr. Lam Yiu Por (林曉波), aged 39, was appointed as the independent non-executive Director on 18 October 2015. Mr. Lam is the chairman of the Audit Committee. Mr. Lam has more than 16 years of experience in the field of finance and accounting. He has been the vice president and chief financial officer of L'sea Resources International Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 195)) since November 2013. He is also a non-executive director of Zhong Ao Home Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1538). Mr. Lam graduated from the Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in November 1997. He is also a fellow member of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Lam was an independent non-executive director of Yat Sing Holdings Limited (stock code: 3708), during the period of December 2014 to March 2016 and was an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Company Limited (stock code:108) during the period of June 2012 to February 2014, both companies which are listed on the Main Board of the Stock Exchange.

Mr. Ong Chor Wei (王祖偉), aged 46, was appointed as an independent non-executive Director on 18 October 2015. Mr. Ong is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Ong has over 25 years of experience in finance and accounting. Mr. Ong is currently an executive director of Net Pacific Financial Holdings Limited (Stock Code: 5QP) and a non-executive director of Joyas International Holdings Limited (Stock Code: E9L), both companies are listed on the Singapore Exchange Securities Trading Limited. Mr Ong is an executive director of Zibao Metals Recycling Holdings Plc (Stock: BO), a company trading on AIM, a market operated by the London Stock Exchange. Mr. Ong is an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), O-Net Technologies (Group) Limited (Stock Code: 877) (formerly known as O-Net Communications (Group) Limited) respectively, all of which are listed on the Stock Exchange.

Mr. Ong is a non-executive director of Hong Wei (Asia) Holdings Company Limited (Stock Code: 8191), which is a company listed on the Growth Enterprise Market of the Stock Exchange. Previously, he served as a non-executive director of Jets Technics International Holdings Limited, a company which is listed on the Singapore Exchange Securities Trading Limited.

Mr. Ong holds a Master of Business Administration degree that was jointly awarded to him by the University of Wales and the University of Manchester in March 2000. Mr. Ong also holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London in August 1990. Mr. Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Liu Lianchao (劉連超), aged 41, is one of the joint company secretaries and the authorised representative of the Company. Mr. Liu is also the deputy general manager of Beijing Denox, Gu'an Denox and the Company. Mr. Liu is primarily responsible for the management of human resources and company secretarial matters. Prior to joining the Group, Mr. Liu served as a technician of Daimler Chrysler Railway System Signal (Shenyang) Co., Ltd. (瀋陽戴姆勒克萊斯勒鐵路系統信號有限公司), a company principally engaged in the design of railway signaling system from June 1999 to March 2001, where he was primarily responsible for technical works. From April 2004 to April 2005, Mr. Liu served as a manager of the human resources department of Zhejiang Putong Fuwu Shichang Co., Ltd. (浙江普通服務市場有限公司), a company providing the storage and distribution services, where he was responsible for the set-up of the distribution center and management of human resources. From February 2006 to April 2012, Mr. Liu served as an officer of the department of planning and development of China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) where he was primarily responsible for planning and development. Mr. Liu received his bachelor of engineering, majoring in fluid power transmission and control, from Beijing University of Aeronautics and Astronautics (北京航空航天大學), now known as Beihang University, in July 1998. Mr. Liu received his master of business administration from Tongji University (同濟大學) in November 2004. Mr. Liu received his doctorate's degree of management, majoring in corporate management, from Renmin University of China (中國人民大學) in January 2011. Mr. Liu obtained the qualification as economist granted by the Personnel Bureau in November 2006.

Mr. Liu Xianchen (柳顯臣), aged 50, is the deputy general manager of Beijing Denox and Gu'an Denox and is primarily responsible for marketing. Mr. Liu joined the Company in April 2011 and is primarily responsible for marketing activities. Prior to joining the Group, Mr. Liu served as the deputy general manager of the environmental protection department of China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司) from January 1988 to August 2004, where he was primarily responsible for marketing activities. From November 2004 to June 2011, Mr. Liu served as a general manager of pneumatic transmission department of China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司), where he was primarily responsible for management of operations. Mr. Liu obtained his bachelor of engineering, majoring in thermal power engineering (電廠熱能動力工程) of power plants, from the Beijing Power Institute of Electric Power (華北電力學院), now known as North China Electric Power University (華北電力大學), in July 1988.

Mr. Chan Chung Kik, Lewis (陳仲戟), aged 43, is the chief financial officer of the Group and one of the joint company secretaries of the Company since May 2015, and is primarily responsible for the overall financial management functions of the Group. Prior to joining the Group, he had worked in international accounting firms and other company listed on the main board of the Stock Exchange. He has over 19 years of experience in auditing, accounting and corporate finance. He received his bachelor's degree in accounting from the University of Canberra, Australia in September 1997 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountants of Australia.

pwc

羅兵咸永道

To the shareholders of Denox Environmental & Technology Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Denox Environmental & Technology Holdings Limited ("**the Company**") and its subsidiaries set out on pages 45 to 102, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2016

CONSOLIDATED BALANCE SHEET

As at 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**45,413**	48,254
Land use right	6	**8,202**	7,891
Intangible assets	7	**6,074**	7,377
Long-term prepayments	12	**4,840**	1,930
Deferred income tax assets	9	**3,126**	1,951
Restricted cash	13	**358**	287
Total non-current assets		**68,013**	67,690
Current assets			
Inventories	10	**49,249**	95,055
Trade and bills receivables	11	**54,766**	26,036
Prepayments, deposits and other receivables	12	**91,660**	5,825
Restricted cash	13	**1,244**	3,628
Cash and cash equivalents	13	**229,433**	45,333
Total current assets		**426,352**	175,877
Total assets		**494,365**	243,567
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	**31,802**	–
Share premium	15	**851,181**	–
Capital reserves	15	**(552,410)**	(1,981)
Other reserves	15	**23,100**	10,783
Retained earnings		**95,657**	71,932
Total equity		**449,330**	80,734

CONSOLIDATED BALANCE SHEET

As at 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	17	**2,090**	1,900
Total non-current liabilities		**2,090**	1,900
Current liabilities			
Trade payables	16	**6,435**	9,018
Advances from customers		**8,861**	64,516
Accruals and other payables	17	**19,516**	20,988
Amount due to related parties	30(c)	**–**	52,947
Current income tax liabilities		**8,133**	13,464
Total current liabilities		**42,945**	160,933
Total liabilities		**45,035**	162,833
Total equity and liabilities		**494,365**	243,567

The consolidated financial statements on pages 45 to 102 were approved by the Board of Directors on 31 March 2016 and were signed on its behalf:

ZHAO Shu
Director

KONG Hongjun
Director

The notes on pages 50 to 102 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	19	**149,604**	217,142
Cost of sales	20	**(100,860)**	(110,729)
Gross profit		**48,744**	106,413
Selling and marketing expenses	20	**(3,701)**	(7,849)
Administrative expenses	20	**(55,051)**	(12,870)
Other gains – net	21	**2,460**	189
Operating (loss)/profit		**(7,548)**	85,883
Finance income	23	**2,692**	277
Finance costs	23	**(3,823)**	(8)
Finance (costs)/income – net		**(1,131)**	269
Fair value gain of series A convertible redeemable preferred shares	18	**39,892**	–
Profit before income tax		**31,213**	86,152
Income tax expenses	24	**(5,667)**	(12,617)
Profit for the year, all attributable to shareholders of the Company		**25,546**	73,535
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	15	**282**	207
Other comprehensive income for the year		**282**	207
Total comprehensive income for the year, all attributable to shareholders of the Company		**25,828**	73,742
Earnings/(Losses) per share (expressed in RMB per share)	25		
Basic earnings per share		**0.08**	0.24
Diluted (losses)/earnings per share		**(0.04)**	0.24

The notes on pages 50 to 102 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

		Attributable to shareholders of the Company					
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2014		–	–	43,123	3,095	22,756	68,974
Comprehensive income							
Profit for the year		–	–	–	–	73,535	73,535
Other comprehensive income							
Currency translation differences		–	–	–	207	–	207
Total comprehensive income		–	–	–	207	73,535	73,742
Transaction with shareholders							
Issuance of new shares by the Company	14	–	–	308	–	–	308
Capital injection by equity holders	15	–	–	16,878	–	(16,878)	–
Deemed distribution to equity holders	15	–	–	(62,290)	–	–	(62,290)
Appropriation to statutory reserves	15	–	–	–	7,481	(7,481)	–
Total transaction with shareholders, recognised directly in equity		–	–	(45,104)	7,481	(24,359)	(61,982)
Balance at 31 December 2014		–	–	(1,981)	10,783	71,932	80,734
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**–**	**25,546**	**25,546**
Other comprehensive income							
Currency translation differences		**–**	**–**	**–**	**282**	**–**	**282**
Total comprehensive income		**–**	**–**	**–**	**282**	**25,546**	**25,828**
Transaction with shareholders							
Issuance of shares to Zymmetry Investments Ltd.	14	**–**	**–**	**34**	**–**	**–**	**34**
Completion of Reorganization	14	**342**	**550,121**	**(550,463)**	**–**	**–**	**–**
Repurchase of ordinary shares	14	**(17)**	**(37,868)**	**–**	**–**	**–**	**(37,885)**
Share-based compensation	15	**–**	**–**	**–**	**10,214**	**–**	**10,214**
Issuance of shares to shareholders	14	**31**	**62,692**	**–**	**–**	**–**	**62,723**
Appropriation to statutory reserves	15	**–**	**–**	**–**	**1,821**	**(1,821)**	**–**
Conversion of series A convertible redeemable preferred shares to ordinary shares	15	**73**	**106,965**	**–**	**–**	**–**	**107,038**
Capitalisation of share premium		**23,420**	**(23,420)**	**–**	**–**	**–**	**–**
Issuance of ordinary shares upon IPO	15	**7,953**	**192,691**	**–**	**–**	**–**	**200,644**
Total transaction with shareholders, recognised directly in equity		**31,802**	**851,181**	**(550,429)**	**12,035**	**(1,821)**	**342,768**
Balance at 31 December 2015		**31,802**	**851,181**	**(552,410)**	**23,100**	**95,657**	**449,330**

The notes on pages 50 to 102 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
		RMB'000	RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	27(a)	**(26,936)**	34,505
Interest received		**178**	277
Income tax paid		**(12,173)**	(5,466)
Net cash (used in)/generated from operating activities		**(38,931)**	29,316
Cash flows from investing activities			
Purchase of land use rights		**(490)**	–
Purchases of property, plant and equipment		**(4,129)**	(6,240)
Decrease of pledged deposits		**2,314**	2,964
Purchases of intangible assets		**(2,024)**	–
Proceeds from government grants	17(b)	**–**	1,900
Proceeds from disposals of property, plant and equipment	27(b)	**–**	36
Payment for acquisition of short-term fixed income deposit	12(a)	**(83,778)**	–
Net cash used in investing activities		**(88,107)**	(1,340)
Cash flows from financing activities			
Proceeds from bank borrowings		**–**	10,000
Capital injection by equity holders	14	**63,065**	–
Proceeds from issuance of series A convertible redeemable preferred shares		**138,120**	–
Proceeds from issuance of ordinary shares upon IPO		**215,717**	
Distribution to equity holders for Reorganization		**(62,290)**	–
Payment for repurchase of ordinary shares		**(37,885)**	–
Repayments of bank borrowings		**–**	(10,000)
Interest paid		**–**	(801)
Payment of ordinary shares issuance costs		**(13,276)**	–
Net cash generated from/(used in) financing activities		**303,451**	(801)
Net increase in cash and cash equivalents		**176,413**	27,175
Cash and cash equivalents at beginning of year	13	**45,333**	18,158
Exchange gains on cash and cash equivalents		**7,687**	-
Cash and cash equivalents at end of year	13	**229,433**	45,333

The notes on pages 50 to 102 are an integral part of these consolidated financial statements.

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 is an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in design, development and manufacture of plate-type 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 Main Board of The Stock Exchange of Hong Kong Limited.

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

These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the "**Board**") on 31 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Denox Environmental & Technology Holdings Limited have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of convertible redeemable preferred shares, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group in 2015

The following amendments to standards have been adopted by the group for the first time for the financial year beginning 1 January 2015:

- Amendments from annual improvements to IFRSs – 2010-2012 Cycle, on IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

- Amendments from annual improvements to IFRSs – 2011-2013 Cycle, on IFRS 13, 'Fair value measurement'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group in 2015 *(Continued)*

The adoption of the above new amendments starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and amendments issued but are not yet effective for the financial year beginning on January 1, 2016, and have not been early adopted by the Group

The following relevant IASs, IFRSs, amendments to existing IFRSs and interpretation of IFRS have been published and are mandatory for accounting periods beginning after January 1, 2016 or later periods and have not been early adopted by the Group:

- IFRS 14, 'Regulatory Deferral Accounts'
- Amendment to IFRS 11 'Accounting for acquisitions of interests in joint operations'
- Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation'
- Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants'
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'
- Amendment to IAS 27 'Equity method in separate financial statements'
- Amendments from annual improvements to IFRSs – 2012-2014 Cycle, on IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: Disclosures', IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'
- Amendments to IAS 1 'Disclosure initiative'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 9, 'Financial Instruments'
- IFRS 16 'Leases'

The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

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 determined that its business, as a whole, falls into one segment.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company, BVI Denox and HK Denox is the Hong Kong dollar ("**HK$**"). The subsidiaries incorporated in the PRC considered RMB as their functional currency as the major operations of the Group during the year ended 31 December 2015 and 2014 are within the PRC, the Group determined to present its Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance (costs)/income – net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains – net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Construction-in-progress (the "**CIP**") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Leasehold improvements	Shorter of remaining term of lease and the estimated useful lives of the assets
–	Buildings	20 years
–	Machinery	5-10 years
–	Vehicles	4 years
–	Office equipment and others	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the consolidated statement of comprehensive income.

2.6 Land use right

Land use right represents upfront prepayments made for the land use rights at historical cost and are expensed in the consolidated statement of comprehensive income on a straight-line basis over the year of the leases or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Patent right

Patent right is shown at historical cost. Patent right has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent right over their estimated useful lives of 10 years.

(b) Technical know-how

Acquired technical know-how of manufacturing processes is shown at historical cost. Acquired technical know-how is capitalised on the basis of the costs incurred to acquire and is amortised over their estimated useful lives of 10 years.

2.8 Research and development expenditures

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over its useful life.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise: 'trade and bills receivables', 'other receivables', 'restricted cash', and 'cash and cash equivalents' in the balance sheet (Notes 11, 12 and 13).

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Goods in transit refer to finished goods in transit and held at customer's place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks.

2.16 Share capital

Ordinary shares are classified as equity. Convertible redeemable preferred shares are classified as liabilities (Note 2.20).

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a contractual or an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

2.20 Series A convertible redeemable preferred shares

Series A convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events at the option of the holders. The series A convertible redeemable preferred shares can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon an Initial Public Offering ("IPO") of the Company.

The Group designated the series A convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the statements of comprehensive income.

Subsequent to initial recognition, the series A convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in statements of comprehensive income.

The series A convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting year.

Series A convertible redeemable preferred shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these series A convertible redeemable preferred shares, if declared, are recognised in the statements of comprehensive loss as finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.23 Share-based payments

Equity-settled share-based payments transactions

The Group received service from employees as consideration for its equity instruments. The fair value of the employee services received in exchange for the grant of the restricted share units is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted share units granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

In terms of restricted share units awarded to counterparties other than employees, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Service conditions are included in assumptions about the number of restricted share units that are expected to vest. The total expense is recognised over the vesting year over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the year between service commencement year and grant date.

At the end of each reporting year, the Group revises its estimates of the number of restricted share units that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the restricted share units are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of value-added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells plate-type DeNOx catalysts to coal-fired power plants (the "**Power Plants**"), certain engineering, procurement and construction (the "**EPCs**") service providers and boiler manufacturers in the PRC. The Group is responsible for the delivery of the goods to customers' specified destinations after the sales contracts are signed. The customers are responsible for the test run of the function of the Group's products after installation, and will issue a preliminary acceptance certificate when they are qualified.

Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, generally coincides with the time of receipt of the preliminary acceptance certificate.

(b) Provision of services

The Group provides technical support for certain environmental protection projects and derives revenue through consultancy agreements with designing institutes, in which the Group agrees to provide either experts or expertise over the project year.

Revenue is recognised when the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of actual services provided as a proportion of the total service to be provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated comprehensive income statements over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in liabilities as deferred income and are credited to the consolidated comprehensive income statements on a straight-line basis over the expected useful lives of the related assets.

2.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated comprehensive income statements on a straight-line basis over the year of the lease.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures during the year ended 31 December 2015 and 2014.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures. The Company's PRC subsidiaries' functional currency is RMB as majority of the revenues of these companies are derived from operations in the PRC. The Company and its oversea subsidiaries' functional currency is HK$ as all of the transactions of these companies, except for the series A convertible redeemable preferred shares issued in February 2015, are denominated and settled in HK$. Therefore, foreign exchange risk primarily arises from recognized assets and liabilities in the Group's subsidiaries incorporated in the PRC (the "**PRC Subsidiaries**") and the recognized series A convertible redeemable preferred shares of the Company when receiving or to receive foreign currencies from counterparties. The Group does not hedge against any fluctuation in foreign currency.

For the PRC Subsidiaries whose functional currencies are RMB, if US$ had weakened/strengthened by 10% against the RMB with all other variables held constant, profit before income tax for the year ended 31 December 2015 would have been lower/higher by RMB4,333,000 (2014: nil), mainly as a result of net foreign exchange losses on translation of US$-denominated cash and cash equivalents.

For Group companies outside the PRC whose functional currencies are HK$, if US$ had weakened/strengthened by 10% against the HK$ with all other variables held constant, profit before income tax for the year would have been lower/higher by RMB2,929,000 (2014: nil), mainly as a result of net foreign exchange losses on translation of US$-denominated cash and cash equivalents and US$-denominated other payables.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than restricted cash and cash and cash equivalents, details of which have been disclosed in Note 13), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk primarily arises from bank. During the year ended 31 December 2015 and 2014, the interest rate risk was not material to the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, trade and bills receivables and other receivables.

As at 31 December 2015 and 2014 most of the Group's restricted cash and cash and cash equivalents were deposited in major financial institutions in the PRC with good credit rating. The Group categorises its major counterparties into the following groups:

- Group 1 – Top 4 banks in the PRC (China Construction Bank, Bank of China, Agricultural Bank of China, and Industrial and Commercial Bank of China) and Hongkong and Shanghai Banking Corporation Limited in Hong Kong;

- Group 2 – Other major listed banks and regional banks in the PRC; and

- Group 3 – Other banks and financial institutions.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Category		
Group 1	**217,913**	21,824
Group 2	**11,389**	27,419
Group 3	**–**	–
	229,302	49,243

The Group's customer base is highly concentrated. The top five customers accounted for 58% of the Group's total revenue for the year ended 31 December 2015 (2014: 77%). The trade receivables which are past due are analysed in Note 11.

The Company typically requests down payment upon the sales contract being signed. In respect of trade receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customers' financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable balance at the end of each reporting year to ensure adequate impairment losses are made for irrecoverable amounts.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months RMB'000	Between 6 months and 1 year RMB'000	More than 1 year RMB'000	Total RMB'000
As at 31 December 2015				
Trade payables	**6,435**	–	–	**6,435**
Amount due to related parties	–	–	–	–
Accruals and other payables (excluding payroll payable and tax payable)	**16,680**	–	–	**16,680**
	23,115	–	–	**23,115**
As at 31 December 2014				
Trade payables	9,018	–	–	9,018
Amount due to related parties	52,947	–	–	52,947
Accruals and other payables (excluding payroll payable and tax payable)	18,904	–	–	18,904
	80,869	–	–	80,869

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers its capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. The Group manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximising the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyses the financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015 and 2014, the Group did not have financial assets and liabilities that are measured at fair value mentioned above.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Useful lives of intangible assets

The Group determines the estimated useful lives for its intangible assets based on the historical experience, the duration of patent rights, and the estimated life span of the technical know-how. The Group will revise the amortisation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Impairment of property, plant and equipment, land use rights and intangible assets

Impairment losses for property, plant and equipment, land use right and intangible assets are recognised for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2.9. The recoverable amounts, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business, are determined with reference to the best information available at each of the balance sheet date. Changing the assumptions selected by the Group's management in assessing impairment, including the discount rates or the operating and growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(d) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(e) Impairment of trade receivables

The Group's management estimates the provision of impairment of trade receivables by assessing the recoverability of individual balances on a periodic basis. Provisions on individual balances are applied to trade receivables where events or changes in circumstances indicate that such balances may not be collectible. Where an estimate is different from the previous estimate, such a difference will impact both the carrying value of trade receivables and the impairment charge in the year in which such estimate has been changed.

(f) Fair value of series A convertible redeemable preferred shares

The series A convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the series A convertible redeemable preferred shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 18.

As at 31 December 2015, all series A convertible redeemable preferred shares had been converted to ordinary shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(g) Income taxes and deferred income tax

The Group is subject to income taxes in different locations in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are certain transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the year in which such estimate is changed.

(h) Warranty Provision

The Group usually provides a warranty year of one year from the issuance of the preliminary acceptance certificate. Management estimates the related provision for future warranty claims based on the past experiences as well as the best information available at each of the balance sheet date. If the actual claims costs differ from the estimated provision being provided for, this will have an impact on selling expenses in future year.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2014							
Opening net book value	12,770	24,446	284	475	402	10,467	48,844
Additions	–	600	733	253	–	3,881	5,467
Transfer	10,787	3,561	–	–	–	(14,348)	–
Depreciation and impairment charge	(1,016)	(4,299)	(172)	(193)	(85)	–	(5,765)
Disposals (Note 27(b))	–	(292)	–	–	–	–	(292)
Closing net book value	22,541	24,016	845	535	317	–	48,254
As at 31 December 2014							
Cost	25,156	31,560	1,159	952	423	–	59,250
Accumulated depreciation	(2,615)	(6,245)	(314)	(417)	(106)	–	(9,697)
Impairment	–	(1,299)	–	–	–	–	(1,299)
Net book value	22,541	24,016	845	535	317	–	48,254
Year ended 31 December 2015							
Opening net book value	**22,541**	**24,016**	**845**	**535**	**317**	**–**	**48,254**
Additions	**189**	**1,723**	**63**	**104**	**–**	**40**	**2,119**
Transfer	**–**	**40**	**–**	**–**	**–**	**(40)**	**–**
Depreciation and impairment charge	**(1,137)**	**(3,262)**	**(256)**	**(220)**	**(85)**	**–**	**(4,960)**
Closing net book value	**21,593**	**22,517**	**652**	**419**	**232**	**–**	**45,413**
At 31 December 2015							
Cost	**25,345**	**33,323**	**1,222**	**1,056**	**423**	**–**	**61,369**
Accumulated depreciation	**(3,752)**	**(9,507)**	**(570)**	**(637)**	**(191)**	**–**	**(14,657)**
Impairment	**–**	**(1,299)**	**–**	**–**	**–**	**–**	**(1,299)**
Net book value	**21,593**	**22,517**	**652**	**419**	**232**	**–**	**45,413**

5. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation and impairment expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of sales	**3,778**	3,697
Administrative expenses	**1,182**	2,068
	4,960	5,765

As at 31 December 2015, the Group is in the process of applying for registration of the ownership certificates for certain of its buildings with an aggregate net book value of approximately RMB2,838,000 (2014: RMB22,541,000).

6. LAND USE RIGHT

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening net book value	**7,892**	8,063
Additions	**489**	–
Amortisation charge	**(179)**	(172)
Closing net book value	**8,202**	7,891

The Group's land use right is located in Gu'an, the PRC, and with an original lease year of 50 years.

Amortisation of land use right has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of sales	**171**	164
Administrative expenses	**8**	8
	179	172

7. INTANGIBLE ASSETS

	Patent rights RMB'000	Technical know-how RMB'000	Total RMB'000
Year ended 31 December 2014			
Opening net book value	5,678	3,002	8,680
Amortisation charge	(946)	(357)	(1,303)
Closing net book value	4,732	2,645	7,377
As at 31 December 2014			
Cost	8,122	3,567	11,689
Accumulated amortisation	(3,390)	(922)	(4,312)
Net book value	4,732	2,645	7,377
Year ended 31 December 2015			
Opening net book value	**4,732**	**2,645**	**7,377**
Amortisation charge	**(946)**	**(357)**	**(1,303)**
Closing net book value	**3,786**	**2,288**	**6,074**
As at 31 December 2015			
Cost	**8,122**	**3,567**	**11,689**
Accumulated amortisation	**(4,336)**	**(1,279)**	**(5,615)**
Net book value	**3,786**	**2,288**	**6,074**

Amortisation of intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of sales	**1,303**	1,303

8. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Company Name	Jurisdiction and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company				
Denox Investments Holdings Limited	BVI/ 12 November 2014	US$1/US$1	100%	Investment holding, BVI
Indirectly held by the Company				
Denox Environmental & Technology (HK) Investments Co., Ltd	Hong Kong/ 21 November 2014	HK$1/HK$1	100%	Investment holding,Hong Kong
Beijing Denox Environmental & Technology Com.,Ltd ("**Beijing Denox**") (北京迪諾斯環保科技有限公司)	Beijing, the PRC/ 30 September 2010	RMB121,164,000/ RMB150,000,000	100%	Plate-type DeNOx catalysts design, distribution and selling, the PRC
Gu'an Denox Environmental Equipment Manufacturing Co., Ltd ("**Gu'an Denox**") (固安迪諾斯環保設備製造有限公司)	Gu'an, the PRC/ 27 August 2010	RMB15,000,000/ RMB15,000,000	100%	Plate-type DeNOx catalysts production, the PRC

Significant restrictions

Cash and cash equivalents and restricted cash of the Group, amounting to approximately RMB81,450,000 are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on payment of dividends, share repurchase and offshore investments, etc.

9. DEFERRED INCOME TAX

The analysis of deferred tax assets is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	**1,077**	748
– Deferred income tax assets to be recovered within 12 months	**2,049**	1,203
	3,126	1,951

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

9. DEFERRED INCOME TAX *(Continued)*

The gross movement of the deferred income tax account is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Beginning of the year	**1,951**	1,742
Credited the consolidated statement of comprehensive income (Note 24)	**1,175**	209
End of the year	**3,126**	1,951

The analysis of deferred income tax assets is as follows:

	Provision of inventories	Impairment provision of receivables	Deferred revenue	Warranty provisions	Unrealized profit	Impairment provision of property, plant and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2013	–	748	–	94	692	208	1,742
Recognized in the consolidated statement of comprehensive income	–	–	–	68	32	109	209
As at 31 December 2014	–	748	–	162	724	317	1,951
Recognized in the consolidated statement of comprehensive income	1,118	292	47	(32)	(205)	(45)	1,175
As at 31 December 2015	**1,118**	**1,040**	**47**	**130**	**519**	**272**	**3,126**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of related tax benefits through future taxable profits is probable. The group did not recognise deferred income tax assets of RMB5,604,000 (2014: nil) in respect of losses amounting to RMB33,964,000 (2014: nil) that can be carried forward against future taxable income.

As at 31 December 2015, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB92,296,000. Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

10. INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials	**15,132**	17,995
Work-in-progress	**9,469**	2,130
Finished goods	**18,424**	10,200
Goods in transit	**13,674**	64,730
Less: provision	**(7,450)**	–
	49,249	95,055

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB100,086,000 (2014: RMB108,576,000), which included inventory write-down of RMB7,450,000 (2014: Nil).

11. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bills receivable	**1,002**	16,901
Trade receivables	**60,700**	14,122
	61,702	31,023
Less: provision for impairment	**(6,936)**	(4,987)
	54,766	26,036

As at 31 December 2015 and 2014, the fair values of trade receivables approximated to their carrying amounts.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Less than 3 months	**8,906**	2,717
3 months to 6 months	**6,809**	–
6 months to 1 year	**33,293**	6,418
Over 1 year	**11,692**	4,987
	60,700	14,122

(b) Ageing analysis of past due but not impaired trade receivables as at 31 December 2015 and 2014 was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Less than 6 months	**7,653**	2,717
6 months to 1 year	**26,973**	2,302
Over 1 year	**5,483**	–
	40,109	5,019

Past due trade receivables are defined as trade receivables outstanding after 30 days, the official credit term, from the date on which the Group establishes the right of collection. Based on the past experiences and review of the operating situation of the customers, the directors are of the view that past due trade receivables, amounting to approximately RMB40,109,000, were not impaired as at 31 December 2015 (2014: RMB5,019,000) as there are no significant changes in the credit quality of individual customers.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

(c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**4,987**	4,987
Provision for receivables impairment	**3,546**	–
Unused amounts reversed	**(1,597)**	–
At 31 December	**6,936**	4,987

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement (Note 20). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(d) The maximum exposure to credit risk at each of the reporting date is the carrying value of the net receivable balances.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Included in non-current assets		
Prepayments for acquisition of intangible assets	**2,024**	–
Long-term prepaid expenses	**1,449**	1,858
Prepayments for acquisition of property, plant and equipment	**1,367**	72
	4,840	1,930
Included in current assets		
Short-term fixed income deposit (a)	**83,778**	–
Prepayments to suppliers	**3,264**	412
Deposits as guarantee for bidding	**1,772**	3,550
Amount due from a third party agent	**927**	–
Value-added tax recoverable	**523**	518
Prepaid employees' housing subsidy	**410**	410
Staff advance	**392**	80
Deferred listing expenses	**–**	293
Amount due from related parties	**–**	306
Others	**594**	256
	91,660	5,825
Total	**96,500**	7,755

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(a) The amount represented a short-term deposit placed with a major commercial bank through a third party asset management company with a maturity of 2 months and a fixed interest rate of 0.68% per annum.

As at 31 December 2015 and 2014, the carrying amounts of prepayments, deposits and other receivables approximated their fair values. As at 31 December 2015 and 2014, there were no significant balances that were past due.

The maximum exposure to credit risk at each of the reporting date is the carrying value of each class of prepayment, deposits and other receivables mentioned above.

Prepayments, deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**12,680**	7,755
HK$	**83,778**	–
US$	**42**	–
	96,500	7,755

13. CASH AND BANK BALANCES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Current		
Cash at bank and on hand	**196,293**	45,333
Short-term bank deposits (a)	**33,140**	–
Restricted cash (b)	**1,244**	3,628
	230,677	48,961
Non-current		
Restricted cash (b)	**358**	287
Total cash and cash equivalents and restricted cash	**231,035**	49,248

(a) The short-term bank deposits are denominated in HK$ and have a term ranging from 1 months to 3 months. The effective interest rate of these deposits for the year ended 31 December 2015 was 3.2% (2014: Nil).

(b) Restricted bank deposits were held as guarantee for bidding, product quality and performance of the Group's sales contracts (Note 29).

13. CASH AND BANK BALANCES *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**71,262**	49,248
HK$	**86,546**	–
US$	**73,227**	–
	231,035	49,248

14. SHARE CAPITAL

	Number of authorised shares
Authorised shares:	
As at 7 November 2014 (date of incorporation) and as at 31 December 2014	5,000,000
As at 31 December 2015	**5,000,000,000**

The Company was incorporated on 7 November 2014 with an initial authorised capital of US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each.

According to the special resolution by the shareholders passed on 23 January 2015, the authorized share capital increase to US$50,000,000 divided into 5,000,000,000 shares at a par value of US$0.01 each.

	Number of shares issued	**Share capital**
		RMB'000
As at 31 December 2014	–	–
Completion of Reorganization (a)	**5,555,555**	**342**
Repurchase of ordinary shares (b)	**(277,778)**	**(17)**
Issuance of shares to shareholders (c)	**504,890**	**31**
Capitalisation of share premium (d)	**368,071,331**	**23,420**
Conversion of series A convertible redeemable preferred shares to ordinary shares (e)	**1,146,002**	**73**
Issuance of ordinary shares upon IPO (f)	**125,000,000**	**7,953**
As at 31 December 2015	**500,000,000**	**31,802**

14. SHARE CAPITAL *(Continued)*

(a) In preparation for the Initial Public Offering of the shares on the Stock Exchange, the Company underwent a group reorganisation (the "**Reorganisation**"). The following steps were carried out under the Reorganisation:

The Company was incorporated on 7 November 2014 with an initial authorised share capital of US$50,000 divided into 5,000,000 shares of US$0.01 each, in which the Controlling Shareholder held 2,916,666 shares (58.33%), EEC Technology Limited, a company incorporated in the BVI and controlled by Mr. Li Xingwu, a non-executive director of the Company, held 1,000,000 shares (20%) and other six BVI companies owned by Mr. Lin Mingwang, Ms. Xu Han, Mr. Kong Hongjun, Ms. Mou Peiyao, Mr. Li Ke and Mr. Liu Lianchao (the "**Individual Shareholders**"), respectively, held 1,083,334 shares (21.67%) in aggregate.

On 12 November 2014, Denox Investments Holdings Limited ("**BVI Denox**") was incorporated by the Company as a wholly-owned subsidiary of the Group.

On 21 November 2014, Denox Environmental & Technology (HK) Investments Co., Ltd ("**HK Denox**") was incorporated by BVI Denox as a wholly-owned subsidiary of the Group.

Pursuant to a series of equity transfer agreements dated 28 November 2014, HK Denox acquired a 100% equity interests in Beijing Denox from its then shareholders, including 52.5% equity interest from the Controlling Shareholder, 18.0% equity interest from Mr. Li Xingwu, 10.0% equity interest from Denox Environmental & Technology (HK) Co., Limited (香港迪諾斯環保科技有限公司, "**Denox Hong Kong**") and 19.5% equity interest from the Individual Shareholders, for an aggregate cash consideration of RMB62,290,000.

On 23 January 2015, Zymmetry Investments Ltd., a company incorporated in the BVI by the controlling shareholder of Denox Hong Kong, subscribed for 555,555 ordinary shares of the Company at cash consideration of US$5,555. Upon completion of Reorganisation, all the original owners of Beijing Denox have become the shareholders of the Company with the same shareholding percentages as those right before the Reorganization. The number of ordinary shares issued is 5,555,555 shares with a par value of US$0.01 each. All issued shares are fully paid.

(b) On 9 February 2015, the Company repurchased 138,889 ordinary shares and 138,889 ordinary shares from Advant Performance Limited and EEC Technology Limited at a consideration of US$3,075,000 and US$3,075,000 (approximately RMB18,943,000 and RMB18,943,000), respectively.

(c) On 27 February 2015, the then shareholders of the Company collectively subscribed 504,890 ordinary shares of the Company at an aggregate cash consideration of US$10,211,475 (approximately RMB62,723,000), of which US$5,049 and US$10,206,426 (approximately RMB31,000 and RMB62,692,000) was credited to share capital and share premium, respectively.

(d) On 11 November 2015, the Company issued additional 369,071,331 shares at a par of US$0.01 each to the then registered shareholders of the Company in proportion to their then shareholdings and capitalised an amount of US$3,680,713 (approximately RMB23,420,000), standing to the credit of the share premium account of the Company.

(e) On 12 November 2015, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's 1,146,002 then outstanding series A convertible redeemable preferred shares were fully converted into ordinary shares on a one-to-one basis and consequently were derecognised from liability and approximately RMB73,000 and RMB106,965,000 were transferred to share capital and share premium, respectively. The conversion rate for the series A convertible redeemable preferred shares to ordinary shares was 1:1.

(f) On 12 November 2015, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 125,000,000 new ordinary shares at par value of US$0.01 per share at an issue price of HK$2.10 each.

Share issuance cost mainly included fees for underwriting commission, legal councils, and reporting accountant and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares, amounting to RM15,072,000, was treated as a deduction from share premium. Other costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB29,659,000, of which RMB28,010,000 and RMB1,649,000 were recognized as expenses in the consolidated statement of comprehensive income for the year ended 31 December 2015 and 2014, respectively.

15. SHARE PREMIUM AND CAPITAL AND OTHER RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
At 1 January 2014	–	43,123	3,095	–	–	46,218
Capital injection by equity holders (a)	–	16,878	–	–	–	16,878
Appropriation to statutory reserves (b)	–	–	7,481	–	–	7,481
Deemed distribution to equity holders (c)	–	(62,290)	–	–	–	(62,290)
Issuance of new shares by the Company (Note 14(a))	–	308	–	–	–	308
Currency translation differences	–	–	–	–	207	207
At 31 December 2014	–	(1,981)	10,576	–	207	8,802
Issuance of shares to Zymmetry Investments Ltd.	**–**	**34**	**–**	**–**	**–**	**34**
Completion of Reorganization (Note 14(a))	**550,121**	**(550,463)**	**–**	**–**	**–**	**(342)**
Repurchase of ordinary shares (Note 14(b))	**(37,868)**	**–**	**–**	**–**	**–**	**(37,868)**
Share-based compensation (d)	**–**	**–**	**–**	**10,214**	**–**	**10,214**
Issuance of shares to shareholders (Note 14(c))	**62,692**	**–**	**–**	**–**	**–**	**62,692**
Appropriation to statutory reserves (b)	**–**	**–**	**1,821**	**–**	**–**	**1,821**
Conversion of series A convertible redeemable preferred shares to ordinary shares (Note 14(d))	**106,965**	**–**	**–**	**–**	**–**	**106,965**
Capitalisation of share premium (Note 14(e))	**(23,420)**	**–**	**–**	**–**	**–**	**(23,420)**
Issuance of ordinary shares upon IPO (Note 14(f))	**192,691**	**–**	**–**	**–**	**–**	**192,691**
Currency translation differences	**–**	**–**	**–**	**–**	**282**	**282**
At 31 December 2015	**851,181**	**(552,410)**	**12,397**	**10,214**	**489**	**321,871**

15. SHARE PREMIUM AND CAPITAL AND OTHER RESERVES *(Continued)*

(a) Pursuant to two shareholders' resolutions dated 13 June 2014 and 26 November 2014, the then shareholders of Beijing Denox transferred retained earnings of RMB16,877,500 to the paid in capital of Beijing Denox.

(b) In accordance with the respective articles of association and board resolutions, the PRC Subsidiaries appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the years ended 31 December 2015 and 2014, RMB1,821,000 and RMB7,481,000 were appropriated from retained earnings to the statutory surplus reserve fund.

(c) This represented cash payable to the then shareholders of Beijing Denox for acquisition of the equity interests by HK Denox in December 2014 pursuant to the Reorganization (Note 14(a)).

(d) On 9 February 2015, the Company repurchased 138,889 ordinary shares and 138,889 ordinary shares from Advant Performance Limited and EEC Technology Limited, the companies owned by Ms. Zhao Shu and Mr. Li Xingwu, respectively to recognise their contributions provided to the Group during past years. The excess of the cash consideration paid by the Company over the fair value of 277,778 ordinary shares as at 9 February 2015, amounting to RMB10,214,000, was accounted for as a share-based payment to Ms. Zhao Shu and Mr. Li Xingwu, and was fully charged to employee expenses in the consolidated statement of comprehensive income for the year ended 31 December 2015. The fair value of the ordinary shares was determined by using discounted cash flow model. The significant inputs into the model include the discount rate of 19.1% and the projections of future performance.

16. TRADE PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Third party	**6,435**	9,018

Ageing analysis of trade payables as at 31 December 2015 and 2014 was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 6 months	**5,627**	7,888
6 months to 1 year	**480**	1,028
1 to 2 years	**328**	102
	6,435	9,018

As at 31 December2015 and 2014, trade payables were denominated in RMB and the fair value of trade payables approximate their carrying amount at each balance sheet date.

17. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Included in current liabilities		
Accruals and payables for listing expenses	**9,248**	1,356
Payroll and welfare payables	**2,572**	2,084
Payables for audit fees	**1,650**	–
Warranty provision	**864**	1,080
Payables for consulting service fee	**808**	808
Payables for purchases of property, plant and equipment	**675**	1,440
Accruals and payables for utilities and transportation fee	**558**	1,569
Value-added and other taxes payables	**265**	435
Payables in relation to the acquisition of Beijing Denox (a)	**–**	9,343
Payables for purchases of land use right	**2,573**	2,573
Others	**303**	300
	19,516	20,988
Included in non-current liabilities		
Deferred government grants (b)	**2,090**	1,900
	2,090	1,900
	21,606	22,888

(a) This represented payables to Mr. Lin Mingwang, Ms. Xu Han and Ms. Mou Peiyao, in relation to the acquisition of Beijing Denox by HK Denox. The entire amount was settled in April 2015.

(b) This represented government grants received by the Group with respect to a construction project and the purchase of certain equipment with initial amounts of RMB1,900,000 and RMB300,000, respectively. These government grants are credited to the consolidated statement of comprehensive income on a straight- line basis over the expected lives of the related assets.

18. SERIES A CONVERTIBLE REDEEMABLE PREFERRED SHARES

On 9 February 2015, the Company issued 742,550 shares and 403,452 shares of series A convertible redeemable preferred shares to Kickstart Holdings Limited and Sea of Wealth International Company, both being companies incorporated in the BVI, at cash consideration of US$15,000,000 (approximately RMB91,995,000) and US$8,150,000 (approximately RMB49,984,000), respectively. Such consideration was determined after arm's length negotiations between the shareholders of the Company, the original shareholders of Beijing Denox and the series A investors as well as taking into consideration the financial information of the Group, the timing of the subscription and the illiquidity of the Company's shares as a private company when the series A convertible preferred share purchase agreement was entered into.

On 12 November 2015, all series A convertible redeemable preferred shares of the Company had been converted into ordinary shares of the Company upon its IPO.

The rights, preference and privileges of the series A convertible redeemable preferred share are as follow:

(i) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, each holder of series A convertible redeemable preferred shares shall be entitled to receive an amount per share equal to 100% of the issue price of the series A convertible redeemable preferred shares, plus all interests of 15% and all accrued but unpaid dividends.

(ii) Redemption

Upon the occurrence of certain triggering events, such as the inability to successfully launch an initial public offering within a specified timeframe, holders of series A convertible redeemable preferred shares have the right to require any group companies or the Controlling Shareholder to redeem all or any part of the series A convertible redeemable preferred shares held thereby at a redemption price per share of the original issue price plus agreed interest rate ranging from 10% to 15% together with all declared but unpaid dividends.

(iii) Conversion

Each series A convertible redeemable preferred share is convertible, at the option of the holders, at any time after the date of issuance of such preferred share into one fully paid ordinary share of the Company, subject to adjustments for certain events, including but not limited to additional shares issuance, share dividends, subdivisions, combinations or consolidations of ordinary shares, other distributions, reclassification, exchange and substitution. Each series A convertible redeemable preferred share is automatically converted into an ordinary share of the Company at the then effective conversion price immediately prior to the closing of an underwritten initial public offering of the ordinary shares of the Company on any of the securities exchanges as approved by the holders of the series A convertible redeemable preferred shares.

18. SERIES A CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

(iv) Dividend

The holders of series A convertible redeemable preferred shares are entitled to participate in non-accumulative dividends, when and if declared by the board of directors of the Company at its entire discretion, in proportion to the number of ordinary shares which would be held by each such holder as if all series A convertible redeemable preferred shares were converted into ordinary shares at the then effective conversion price for the series A convertible redeemable preferred shares. Upon any declaration of dividends by the board of directors of the Company, amount available for distribution should not be less than 35% of the consolidated profit for the year in which such dividends are declared.

(v) Voting

Each series A convertible redeemable preferred shares conveys voting rights equal to such number of ordinary shares into which its series A convertible redeemable preferred shares are convertible.

The movement of the series A convertible redeemable preferred shares is set out as below:

	Series A convertible redeemable preferred shares RMB'000
As at 1 January 2015	–
Issuance of series A convertible redeemable preferred shares	141,979
Changes in fair value	(39,892)
Conversion of series A convertible redeemable preferred shares to ordinary shares (Note 14(d))	(107,038)
Exchange differences	4,951
As at 31 December 2015	–
Change in unrealized gain for the year included in profit or loss for liabilities held at the period end	(39,892)

Transaction costs of RMB3,823,000 directly attributable to the issuance of series A convertible redeemable preferred shares were recognized as finance costs in the consolidated statement of comprehensive income (Note 23).

18. SERIES A CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

(v) Voting *(Continued)*

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the series A convertible redeemable preferred shares as at the date of issuance and at each of the reporting dates. Key assumptions are set as below:

	9 February 2015	31 December 2015
Discount rate	19.1%	N/A
Risk-free interest rate	0.76%	N/A
Volatility	42.90%	N/A

Discount rate was estimated by weighted average cost of capital as at each appraisal date. The directors estimated the risk-free interest rate based on the yield of Hong Kong generic curve with a maturity life equal to year from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a year from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of series A convertible redeemable preferred shares on each appraisal date.

Upon the date of IPO, the fair value of series A convertible redeemable preferred shares was assessed at the market price of HK$2.10 (approximately RMB1.72) per share.

Changes in fair value of series A convertible redeemable preferred shares were recorded in "fair value gain of series A convertible redeemable shares".

19. REVENUE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sales of goods	**149,291**	216,010
Provision of services	**313**	1,132
	149,604	217,142

The main products of the Group are plate-type DeNOx catalysts, which accounted for 99.8% of the Group's turnover for the years ended 31 December 2015 (2014: 99.5%).

For the years ended 31 December 2015 and 2014, revenue from certain individual customer amounted to ten percent or more of the Group's total revenue for the respective year. The revenue of these customers are summarised below:

	Year ended 31 December	
	2015	2014
Customer A	**21.3%**	n.a.
Customer B	**11.6%**	25.7%
Customer C	**n.a.**	16.8%
Customer D	**n.a.**	16.5%

20. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	**35,493**	6,606
Raw materials consumed and consumable used	**45,333**	87,592
Listing expenses	**28,010**	1,649
Employee benefit expenses (including share-based compensation expenses) (Note 22)	**19,557**	9,074
Inventory write-down (Note 10)	**7,450**	–
Depreciation, amortisation and impairment charges (Notes 5,6,7)	**6,442**	7,240
Utilities charges and office expenses	**2,918**	3,326
Consulting service fees	**2,059**	2,102
Travelling, communication and entertainment expenses	**2,090**	1,342
Provision for impairment of receivables (Note 11)	**1,949**	–
Research and development expenses	**1,900**	1,429
Auditors' remuneration:		
–Audit services	**1,640**	76
–Non-audit services	**10**	–
Stamp duty, property tax and other surcharges	**1,465**	2,657
Transportation and warehouse expense	**1,147**	4,250
Operating lease rentals	**546**	569
Professional fees	**605**	346
Bidding service expenses	**251**	360
Conference fee	**78**	1,363
Warranty (reversal)/provision	**(216)**	453
Others	**885**	1,014
	159,612	131,448

21. OTHER GAINS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Government grants (a)	**2,110**	650
Interest income (Note 12(a))	**45**	–
Foreign exchange gains/(losses), net	**303**	(205)
Loss on disposal of property, plant and equipment (Note 27(b))	**–**	(256)
Others	**2**	–
	2,460	189

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

22. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses	**7,557**	7,320
Social welfare pension	**695**	684
Other social insurance and housing funds	**616**	595
Other welfare and allowance	**475**	475
Share-based compensation expenses (Note 15)	**10,214**	–
	19,557	9,074

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include four (2014: three) directors whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining one (2014: two) individuals during the year are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salaries and allowances	**785**	300
Discretionary bonuses	**–**	100
Social security insurance	**20**	71
	805	471

The emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2015	2014
Emolument band:		
Nil to HK$1,000,000	**3**	5
HK$6,000,001 to HK$6,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	–
	5	5

23. FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents and restricted cash	**272**	277
Net foreign exchange gains on financing activities	**2,420**	–
	2,692	277
Finance costs		
Issuance costs for series A convertible redeemable preferred shares (Note 18)	**(3,823)**	–
Interest expense on bank borrowings	**–**	(8)
	(3,823)	(8)
Finance (costs)/income – net	**(1,131)**	269

24. INCOME TAX EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax expenses	**6,842**	12,826
Deferred income tax credit (Note 9)	**(1,175)**	(209)
	5,667	12,617

24. INCOME TAX EXPENSES *(Continued)*

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**31,213**	86,152
Tax calculated at domestic tax rate applicable to profits in the PRC (25%)	**7,803**	21,538
Tax effects of:		
Different tax rates applicable to different tax jurisdiction	**(500)**	–
Preferential tax benefits in the PRC	**(2,400)**	(8,694)
Super deduction for research and development expenses	**–**	(618)
Tax losses for which no deferred income tax asset was recognised	**5,604**	–
Expenses not deductible for tax purpose		
– Share based compensation	**1,532**	–
– Fair value gain of series A convertible redeemable preferred shares	**(6,582)**	–
– Other permanent difference	**210**	391
Income tax expenses	**5,667**	12,617

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% for all the years presented. No Hong Kong tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2015 and 2014.

24. INCOME TAX EXPENSES *(Continued)*

(c) PRC corporate income tax

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

Being a high and new technology enterprise certified by local science and technology department and local finance and taxation administration, Beijing Denox has been granted a preferential rate of 15% in 2015.

(d) PRC withholding income tax

Pursuant to the applicable PRC tax regulations, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group has not provided for these withholding income taxes on the profit generated from the PRC Subsidiaries during the year ended 31 December 2015 as the directors have confirmed that the Group does not expect the PRC Subsidiaries to distribute the retained earnings in the foreseeable future.

25. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during each year.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	**25,546**	73,535
Weighted average number of ordinary shares in issue (thousand shares)	**334,122**	300,683
Basic earnings per share (express in RMB per share)	**0.08**	0.24

Upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's then existing ordinary shareholders received 368,071,331 shares. As a result, the then existing outstanding ordinary shares were adjusted to 375,000,000 shares (Note 14(e)).

For the purpose of computing basic earnings per share, the number of ordinary shares outstanding during each year has been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the capitalisation of share premium.

25. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings 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 year ended 31 December 2015, the Group has only one category of dilutive potential ordinary shares, which is series A convertible redeemable preferred shares and these shares were converted into ordinary shares on 12 November 2015, upon the Company's IPO as mentioned in Note 18. The series A convertible redeemable preferred shares are assumed to have been converted into ordinary shares from the issuance date to the conversion date, and the net profit is adjusted to eliminate the fair value change in the liability component.

For the year ended 31 December 2014, the Group has no potentially dilutive ordinary shares in issue.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Earnings		
Profit attributable to shareholders of the Company	**25,546**	73,535
Adjustment for:		
Fair value change in the liability component of the series A convertible redeemable preferred shares	**(39,892)**	–
Diluted profit/(loss) attributable to shareholders of the Company	**(14,346)**	73,535
Weighted average number of ordinary shares in issue (thousand shares)		
Diluted weighted average number of ordinary shares for diluted (losses)/earnings per share (thousand shares)	**381,023**	300,683
Diluted (losses)/earnings per share (express in RMB per share)	**(0.04)**	0.24

26. DIVIDENDS

No dividend has been declared or paid by the companies now comprising the Group during the years ended 31 December 2015 and 2014.

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**31,213**	86,152
Adjustments for:		
– Depreciation and impairment of property, plant and equipment (Note 5)	**4,960**	5,765
– Amortisation of land use right (Note 6)	**179**	172
– Amortisation of intangible assets (Note 7)	**1,303**	1,303
– Loss on disposal of property, plant and equipment	**–**	256
– Share-based compensation (Note 15)	**10,214**	–
– Fair value gain of series A convertible redeemable preferred shares (Note 18)	**(39,892)**	–
– Provision for impairment of receivables (Note 11)	**1,949**	–
– Write-down of inventories to their net realisable value (Note 10)	**7,450**	–
– Foreign exchange gain (Note 23)	**(2,420)**	–
– Investment interest (Note 21)	**(45)**	–
– Interest income (Note 23)	**(272)**	(277)
– Finance costs (Note 23)	**3,823**	8
Operating profits before working capital changes	**18,462**	93,379
Changes in working capital:		
– Inventories	**38,356**	8,115
– Trade and bills receivables	**(30,729)**	(22,184)
– Prepayments, deposits and other receivables	**(1,816)**	11,184
– Trade payables	**(2,583)**	(698)
– Advance from customers	**(55,656)**	(57,858)
– Accruals and other payables	**7,030**	2,567
Cash flow generated from operations	**(26,936)**	34,505

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount disposed (Note 5)	–	292
Loss on disposal of property, plant and equipment (Note 21)	–	(256)
Proceeds from disposal of property, plant and equipment	–	36

28. COMMITMENTS

(a) Capital commitments

As at 31 December 2015 and 2014, the Group's capital expenditure contracted but not provided for amounted to RMB3,105,000 and zero, respectively.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases for the Group's rented premises are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
No later than 1 year	**554**	546
1 to 2 years	**582**	–
	1,136	546

29. BANK FACILITIES AND GUARANTEE

As at 31 December 2015 and 2014, the Group had bank guarantees of RMB5,912,000 and RMB13,862,000, respectively, in favor of the Group's customers with respect to the contract penalties or obligations in connection with the Group's performance, product quality and tender. Unutilized bank facilities amounted to RMB19,088,000 and RMB11,138,000, as at 31 December 2015 and 2014, respectively. These bank facilities were secured by (i) guarantee given by an independent third party; (ii) pledge of machinery with net book value of RMB13,081,000 and RMB10,213,000 as at 31 December 2015 and 2014; (iii) personal guarantee by three shareholders of the Company which was released in May 2015; and (iv) pledged bank deposits (Note 13).

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) The following companies and persons are related parties of the Group during the years ended 31 December 2015 and 2014:

Names of the related parties	Nature of relationship
Ms. Zhao Shu	Controlling Shareholder
Mr. Li Xingwu	Major shareholder of the Company
Mr. Kong Hongjun	Executive director of the Company
Mr. Li Ke	Executive director of the Company
Mr. Liu Lianchao	Senior management of the Company
Mr. Chen	Close family member of the Controlling Shareholder
Mr. Liu	Close family member of the senior management
Denox Hong Kong	Shareholder with significant influence to the Group

(b) Transactions with related parties

Save as disclosed elsewhere in the financial statements, the Group has the following transactions with related parties, which are all discontinued transactions except for operating lease expenses as disclosed in Note 30(b) below:

Operating lease expenses charged by related parties

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Mr. Chen	**294**	290
Mr. Liu	**256**	256
	550	546

30. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

Payables to related parties

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Payable in relation to the acquisition of Beijing Denox [(i)]		
– Ms. Zhao Shu	**–**	32,702
– Mr. Li Xingwu	**–**	11,212
– Denox Hong Kong	**–**	6,229
– Mr. Kong Hongjun	**–**	1,682
– Mr. Liu Lianchao	**–**	561
– Mr. Li Ke	**–**	561
	–	52,947

(i) This represented the consideration payable by the Group for acquisition of Beijing Denox, which was settled in April 2015.

(d) Key management compensation

Key management includes directors and top management. The compensation paid or payable to key management for employee services is show below:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salaries and allowances	**1,606**	781
Discretionary bonuses	**386**	254
Other benefits including pension	**215**	179
Share-based compensation	**10,214**	–
	12,421	1,214

31. SUBSEQUENT EVENTS

In March 2015, the Group entered into an agreement to acquire 51% of the equity interests of a limited liability company incorporated in the PRC specialised in stainless steel mesh at a total consideration of RMB21,930,000. The acquisition is yet to be completed as of the date of consolidated financial statements.

32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investments in a subsidiary		**560,335**	–
Amounts due from a subsidiary		**132,067**	–
Total non-current assets		**692,402**	–
Current assets			
Cash and cash equivalents		**149,468**	–
Prepayments, deposits and other receivables		**83,959**	599
Total current assets		**233,427**	599
Total assets		**925,829**	599
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the Company			
Share capital		**31,802**	308
Share premium		**851,181**	–
Other reserves	a	**18,180**	2
Retained earnings/(Accumulated deficits)	a	**4,474**	(1,706)
Total Equity		**905,637**	(1,396)
LIABILITIES			
Current liabilities			
Payroll payable		**211**	–
Accruals and other payables		**9,533**	1,388
Amount due to subsidiaries		**10,448**	607
Total current liabilities		**20,192**	1,995
Total liabilities		**20,192**	1,995
Total equity and liabilities		**925,829**	599

The balance sheet of the Company was approved by the Board of Directors on 31 March 2016 and was signed on its behalf:

ZHAO Shu
Director

KONG Hongjun
Director

32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Retain earning/ (Accumulated deficits) RMB'000	Other reserves RMB'000
At 1 January 2014	–	–
Loss for the year	(1,706)	–
Currency translation differences	–	2
At 31 December 2014	(1,706)	2
At 1 January 2015	**(1,706)**	**2**
Profit for the year	**6,180**	**–**
Share-based compensation (Note 15)	**–**	**10,214**
Currency translation differences	**–**	**7,964**
At 31 December 2015	**4,474**	**18,180**

33. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Salary RMB'000	Discretionary bonuses RMB'000	Social security insurance RMB'000	Estimated money value of other benefits RMB'000	Total RMB'000
Executive Directors					
Ms. Zhao Shu (i)	**185**	**78**	**39**	**5,107**	**5,409**
Mr. Kong Hongjun (i)	**149**	**77**	**39**	**–**	**265**
Mr. Li Ke (i)	**149**	**77**	**39**	**–**	**265**
Non-executive Directors					
Mr. Li Xingwu (ii)	**–**	**–**	**–**	**5,107**	**5,107**
Mr. Teo Yi-Da (ii)	**–**	**–**	**–**	**–**	**–**
Independent Non-executive Directors					
Mr. Li Junhua (iii)	**14**	**–**	**–**	**–**	**14**
Mr. Lam Yiu Por (iii)	**13**	**–**	**–**	**–**	**13**
Mr. Ong Chor Wei (iii)	**13**	**–**	**–**	**–**	**13**

33. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2014 (restated):

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Salary RMB'000	Discretionary bonuses RMB'000	Social security insurance RMB'000	Estimated money value of other benefits RMB'000	Total RMB'000
Executive Directors					
Ms. Zhao Shu (i)	181	54	36	–	271
Mr. Kong Hongjun (i)	150	50	36	–	236
Mr. Li Ke (i)	150	50	36	–	236
Non-executive Directors					
Mr. Li Xingwu (ii)	–	–	–	–	–
Mr. Jia Wenzhong (ii)	–	–	–	–	–
Mr. Teo Yi-Da (ii)	–	–	–	–	–
Independent Non-executive Directors					
Mr. Li Junhua (iii)	–	–	–	–	–
Mr. Lam Yiu Por (iii)	–	–	–	–	–
Mr. Ong Chor Wei (iii)	–	–	–	–	–

(i) On 7 November 2014, 9 February 2015 and 9 February 2015, Ms. Zhao Shu, Mr. Kong Hongjun and Mr. Li Ke were appointed as the executive directors of the Company, respectively. No director has waived or agreed to waive any emoluments during the year ending 31 December 2015 and 2014.

(ii) On 7 November 2014, 9 February 2015 and 9 February 2015, Mr. Li Xingwu, Mr. Jia Wenzhong and Mr. Teo Yi-Da were appointed as the non-executive directors of the Company, respectively. They had not received any emoluments during the year ending 31 December 2015 and 2014. On 16 December 2015, Mr. Jia Wenzhong resigned as executive director of the company.

(iii) On 18 October 2015, Mr. Li Junhua, Mr. Lam Yiu Por, and Mr. Ong Chor Wei were appointed as the independent non-executive directors of the Company, respectively.

33. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2015, no other retirement benefits were paid to or receivable by the directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2014: same).

(c) Directors' termination benefits

During the year ended 31 December 2015, none of the directors received any emolument from the Group as leave the Group or as compensation for loss of office (2014: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, no consideration has been provided to third parties for making available directors' services (2014: same).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2015 and 2014 or at any time during the years ended 31 December 2015 and 2014.

The Company was incorporated on 7 November 2014 and became the holding company of the subsidiaries through a reorganisation in preparation of the listing of the Company's shares on the Main Board of Stock Exchange on 12 November 2015. The combined financial statements of the Group for the years ended 31 December 2012 to 2014 had been prepared as if the Group had been in existence throughout the years presented, or since the respective dates of incorporation or establishment of the group companies.

RESULTS

	Year ended 31 December			
	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	22,475	126,872	217,142	**149,604**
Gross profit	9,870	61,424	106,413	**48,744**
Operating profit/(loss)	(880)	39,176	85,883	**(7,548)**
Profit/(loss) before income tax	(1,773)	38,721	86,152	**31,213**
Profit/(loss) for the year attributable to shareholders of the Company	(1,378)	32,708	73,535	**25,546**

ASSETS AND LIABILITIES

	As at 31 December			
	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	100,688	218,464	243,567	**494,365**
Total liabilities	64,422	149,490	162,833	**45,035**
Total equity	36,266	68,974	80,734	**449,330**

GLOSSARY OF TECHNICAL TERMS

"catalyst regeneration"	a physical and chemical process of restoring the effectiveness of catalysts which have been depleted after a period of use
"DeNOx"	the process of reducing the NOx concentration in industrial flue gas emissions.
"DeNOx catalyst"	a kind of chemical substance which is the core component of SCR, and acts by producing the chemical reaction to convert NOx into N2 and H2O. The basic element of the catalyst mainly includes TiO 2 and V2O5.
"plate-type DeNOx catalyst"	a plate-type DeNOx catalyst takes metal as the carrier. Surface coating is composed of active ingredient
"regeneration"	a physical and chemical process of restoring the effectiveness of DeNOx catalysts which have been depleted after a period of use
"replenishment"	the purchase of new DeNOx catalysts to replace existing catalysts when the existing catalysts come to the end of their chemical life. It does not include regeneration