迪諾斯
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

INTERIM REPORT 2019

*For identification purposes only

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. ZHAO Shu *(Chairlady)*
Mr. KONG Hongjun
Mr. LI Ke

Non-executive Directors

Mr. LI Xingwu
Mr. TEO Yi Dar

Independent non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Ms. ZHAO Shu *(Chairlady)*
Mr. LI Min
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

Woo Kwan Lee & Lo

As to Cayman Islands laws

Conyers Dill & Pearman

Registered Office

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

CORPORATE INFORMATION

Principal Place of Business

Hong Kong

17th Floor, 80 Gloucester Road
Wanchai
Hong Kong

PRC

Room 1507, Block 2, Nuode Center
No. 128 Nansi Huan Xi Road
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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 54, Hopewell Centre
No. 183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank

Website

www.china-denox.com

Stock Code

01452

BUSINESS REVIEW

OVERVIEW

Denox Environmental & Technology Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") 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**").

Business review for the first half of 2019

(1) Plate-type DeNOx catalyst business

1 Analysis of plate-type DeNOx catalyst industry

In the first half of 2019, the plate-type DeNOx catalyst industry, which primarily serves the power generation industry, remained steady and product prices are also out of the trough. Yet overall the profit level of products is still relatively low, and for a few major existing manufacturers the entire market is still experiencing overcapacity. There has not been a large-scale outbreak for the DeNOx catalyst market in the cement industry which the Group focused on paying attention to in the first half of the year, mainly because it takes time for the cement industry to understand the skills and process of emission reduction of nitrogen oxides. Although there is a clear policy requirement, the overall market still needs some time for a large-scale activation.

After the price fluctuation in 2018, the main raw materials became stable in 2019, as the main suppliers for titanium dioxide, molybdenum, vanadium and other materials are relatively concentrated, and the Group is not an expert in bargaining with the suppliers, so the Group will seek new suppliers to reduce cost when possible.

2 The Group's key tasks in respect of plate-type DeNOx catalyst products

(1) Marketing and after-sale services

In the first half of 2019, the Group completed catalyst proposals and quotations for 130 projects, among which, 15 were foreign (including Taiwan, India and Europe) projects. The Group has completed participating in 30 tenders formally and signed business contracts for 12 projects in total. The number of contracts and volume showed a slight increase in general as compared to last year. The following achievements are particularly noteworthy:

- In the first half of the year, the Group for the first time entered China Guodian Corporation, one of the five largest power producers. As for now, plate-type DeNOx catalysts have entered the five largest power producers and main local power companies, indicating the Company's reputation and the product quality have been highly recognized by the thermal power generation enterprises.

- In the first half of the year, the Group has entered into a small-scale contract with Formosa Plastic Mailiao Power Plant in the Taiwan market, and this power plant only used products from foreign enterprises. We would like to take this chance to have more opportunities for cooperation with Formosa Plastics Group Power Plant in the future.

- In the first half of the year, products of the Group achieved a major breakthrough in the aluminium oxide project. Among the catalyst supply projects for 23 sets of roasters for a well-known aluminium oxide enterprise in China, the Group secured those for 18 sets of roasters.

- In the first half of the year, the Group has completed guidance work for onsite catalyst installation for 15 sets of machines in 13 power plants in total. These projects were all executed smoothly. It has completed preliminary acceptance reports for 8 sets of machines for 7 power plants and final acceptance reports for 5 sets of machines for 3 power plants in total in the first half of the year.

(2) Production management

The Group completed catalyst production for 26 projects in the first half of the year. The volume of catalyst production increased significantly as compared to the same period last year. At the same time, the Group focused on strengthening the following two aspects regarding production management in the first half of the year:

- Further improve its work on reducing staff and increasing efficiency

  Under the significant increase in the production volume of catalyst, the number of first-line production staff basically remained unchanged, lowering the labor cost of catalyst per unit.

- Carry out benchmark management with the industry

  Through understanding competing businesses in the industry, the Group learned further about advanced cost control methods in the industry. The Group strengthened its work on aspects such as raw material manufacturer development, quality control and process improvement, and has achieved better results. It is expected that the results will be reflected in the business information in the future.

(2) DeNOx catalysts for diesel-powered vehicles and vessels (engines)

1 Diesel-powered Vehicle Environmental Protection Products

The Group began to supply products to customers formally in the first half of the year, those of which were mainly coated catalyst products under the China V standards. Subject to the China VI standards to be executed by China soon, the total sales volume of China V products was limited.

Regarding the environmental protection products under vehicle China VI standards, the Group is currently communicating with customers such as major vehicle vendors and engine vendors in China in order to understand the needs of customers in the market, and to prepare for production and techniques. Overall, the products under China VI standards are brand new technology, formula and production process for the Group as it is completely different from the production techniques of plate-type and extrusion catalysts that the Group has mastered, and the difficulty of the techniques are much higher than that for industrial DeNOx catalysts and DeNOx catalysts under vehicle China V standards. Currently, the first round of suppliers that can provide products under China VI standards have already been specified for the main domestic vendors. These are mainly those with years of experience in supply in the vehicle industry and the foreign suppliers with stronger techniques, whereas a small number of domestic suppliers with over ten years in the industry are waitlisted. If the Group would like to enter the market under vehicle China VI standards, preparation work for all aspects is required to capture future customers that may consider changing suppliers to reduce costs.

2 *The Group's key tasks in respect of catalysts for vessels (engines)*

In general, the vessel (engine) catalysts market progressed slowly. Although the Group communicated with some customers, a real market demand is hard to establish at this stage. The engine catalyst market improved, but due to the operating environment, the combustion engine has extremely stringent requirements for the key physical performance indicators of the extruded catalyst products, which created great technical barriers. At present, the Group's products are still unable to fully meet the requirements of this technical standard. Extruded honeycomb catalyst products could be applied to other industrial fields, such as cement. Cement and other industries do not have the same stringent physical performance requirements as the combustion engine industry. The Group was also working hard to adjust the formulation and production process to meet the requirements of the cement industry.

Key work plans for the second half of 2019

(1) Market expansion for stationary-source DeNOx catalyst

The stationary-source DeNOx catalysts included DeNOx catalysts for industrial applications such as electricity, cement, metallurgy, and engines. The Group can provide two options for plate-type DeNOx catalysts and extruded honeycomb denitration catalysts for customers to choose. Going forward, the Group will adopt different market strategies in different markets:

1. At present, the power industry catalyst has entered a stable market structure, and the Group has tried its best to increase its expansion efforts and strive to obtain more sales contracts.

2. There is a trend of rapid growth in DeNOx catalyst for cement industry. The Group will give specific attention to actively communicate with customers and strive to achieve substantive breakthroughs as soon as possible.

3. With regard to catalyst used in metallurgical and combustion engine industry, the Group shall give appropriate attention and resources input with reference to the changes in the market as well as the Group's comprehensive capabilities of the market and technology.

(2) Market expansion for mobile-source DeNOx catalyst

Mobile-source DeNOx catalyst mainly includes DeNOx catalyst and other environmentally-friendly products used in commercial vehicles, non-road vehicles, construction machinery vehicles and shipping industry. The Group will adopt the following market strategies:

1. For DeNOx catalyst and other environmentally-friendly products used in the field of all vehicles, while continuing to perform the orders of China V products from customers, the Group will foster the research and development and trial production of China VI catalyst and related products, the Group will enhance technical exchange and business communication with customers, and always get prepared for potential market opportunities.

2. For the catalyst products for vessel, we will continue to maintain contact with customers, strive to seize the opportunity to provide technical exchanges to customers, provide product samples, and provide testing materials.

(3) New business expansion opportunities

Currently, the product structure of the Company is relatively monotonous, all of which are development businesses regarding products related to stationary-source and mobile-source catalysts. At present, apart from the stable catalyst market in the thermal power industry, other catalysts related products in other industries have just established, or there are extremely high technical thresholds, or customers have adopted foreign established companies as their first choice, which constitute higher barriers to competition for the Group and require a longer time to break through, and there are large operational risks as well. While looking forward to perform well in DeNOx catalyst for the above-mentioned industries, the Group will further adjust its strategy, pay attention to and seize new opportunities with an aim to quickly achieve better operating results.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Plate-type DeNOx catalysts	**13,334**	**84.7**	9,710	100.0
DeNOx catalysts for diesel-powered vehicles	**2,408**	**15.3**	–	–
Total	**15,742**	**100.0**	9,710	100.0

The Group recorded a total revenue of approximately RMB15.7 million for the six months ended 30 June 2019, representing an increase of 62.1% as compared to approximately RMB9.7 million of the same period in 2018.

Revenue generated from sales of plate-type DeNOx catalysts for the six months ended 30 June 2019 increased to approximately RMB13.3 million, representing an increase of 37.3% as compared to approximately RMB9.7 million of the same period in 2018, which was primarily attributable to (i) an increase in the average selling price of plate-type DeNOx catalysts per m^3 by approximately 14.3% as compared to the same period in 2018 which resulted from the selling price rebound; and (ii) the 20.2% increase in sales volume of plate-type DeNOx catalysts to 1,521 m^3 for the period under review from 1,226 m^3 of the same period in 2018. The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants.

During the period under review, the Group successfully launched DeNOx catalysts for diesel-powered vehicles (China V standard) products and recorded a revenue of approximately RMB2.4 million with gross profit margin of 54.3%.

Gross profit/(loss)

For the six months ended 30 June 2019, the Group recorded a gross profit of approximately RMB0.7 million which resulted from the selling price rebound of plate-type DeNOx catalysts and sales of DeNOx catalysts for diesel-powered vehicles (China V standard) products with higher profit margin. For the six months ended 30 June 2018, the Group recorded a gross loss of approximately RMB1.7 million as a result of continued vicious market competition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of consulting service expenses, transportation cost and employee benefit expenses, etc. For the six months ended 30 June 2019, the Group's selling and marketing expenses increased by 109.1% to approximately RMB6.3 million from approximately RMB3.0 million in the same period in 2018 due to the increase in the transportation cost as more shipments were provided during the period under review and increase in marketing staff costs.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortization, research and development expenses and professional fees. For the six months ended 30 June 2019, the Group's administrative expenses amounted to approximately RMB10.0 million, which was comparable to approximately RMB10.2 million of the same period in 2018.

Finance (costs)/income – net

Finance costs include interest expenses on lease liabilities and net foreign exchange losses on financing activities. Finance income includes interest income on cash and cash equivalents and restricted cash; and net foreign exchange gains on financing activities. The Group recorded finance costs of approximately RMB1.1 million for the six months ended 30 June 2019, which mainly represents the realised exchange losses arising from the conversion of Hong Kong dollars to Renminbi while it recorded finance income of approximately RMB0.5 million in the same period in 2018.

Loss attributable to the shareholders of the Company

As a result of the aforementioned major factors, the loss attributable to the shareholders of the Company for the six months ended 30 June 2019 increased by 21.1% to approximately RMB17.6 million from approximately RMB14.6 million in the same period in 2018.

Liquidity and capital resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 30 June 2019, the Group had net current assets of approximately RMB204.7 million (31 December 2018: approximately RMB221.3 million) of which cash and cash equivalents were approximately RMB114.4 million (31 December 2018: approximately RMB145.4 million) and were denominated in RMB, US$, Euro€, and HK$.

The Group had no bank borrowings as at 30 June 2019 (31 December 2018: Nil).

The Group had no pledged assets as at 30 June 2019 (31 December 2018: Nil).

Use of net proceeds from the Listing

As at 30 June 2019, net proceeds not utilised of approximately RMB75.4 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the Company's prospectus dated 30 October 2015.

	Planned Amount RMB'million	**Amount utilised up to 30 June 2019** RMB'million	**Balance as at 30 June 2019** RMB'million
Development of DeNOx catalysts for diesel-powered vehicles	78.6	36.6	42
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	24.3
Research and development	17.1	12.0	5.1
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	4.5	2.4
Replacement of the Group's No. 1 production line	5.1	3.5	1.6
Working capital and general corporate purposes	17.1	17.1	–
	171.0	95.6	75.4

Capital expenditure and commitments

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the six months ended 30 June 2019, the Group invested approximately RMB7.0 million (31 December 2018: RMB4.4 million) for purchase of property, plant and equipment and land use rights. These capital expenditures were financed by internal resources of the Group.

As at 30 June 2019, the Group did not have any capital commitments (31 December 2018: approximately RMB0.6 million).

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

Save as disclosed in this report, there was no plan authorised by the board (the "**Board**") of directors (the "**Directors**") of the Company for other material investments or additions of capital assets at the date of this report.

Important events affecting the Group after the reporting period

No important events affecting the Group has taken place since 30 June 2019 and up to the date of this report.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in RMB, of which foreign exchange risk is considered insignificant. The Group is exposed to foreign exchange risk primarily with respect to certain of its bank deposits which were denominated in HK$, US$ and Euro€. The Group did not carry out any hedging activity against foreign currency risk during the six months ended 30 June 2019. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Employees

As at 30 June 2019, the Group had 169 employees (31 December 2018: 160). Remuneration of the employees of the Group amounted to RMB8.7 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB7.3 million). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the Directors, senior management members and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for 2018. The Group's growth is dependent upon the skills and dedication of its employees. The Group recognises the importance of human resources in competitive industry and has devoted resources to provide training to employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company ("**Shares**"), underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers ("**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)	2.99%
	Interest in controlled corporation *(Note 3)*	153,031,609 (L)	30.89%
Mr. Li Xingwu	Interest in controlled corporation *(Note 4)*	51,075,015 (L)	10.31%
Mr. Kong Hongjun	Interest in controlled corporation *(Note 5)*	8,887,475 (L)	1.79%
Mr. Li Ke	Interest in controlled corporation *(Note 6)*	2,962,474 (L)	0.60%

Notes:

1. *The letter "L" denotes the person's long position in the Shares.*
2. *The percentages are calculated based on 495,349,000 Shares in issue as at 30 June 2019.*
3. *These 153,031,609 Shares are held by Advant Performance Limited ("**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 Limited ("**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 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 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 30 June 2019, 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.

DISCLOSURE OF INTERESTS

Directors' Right to Acquire Shares or Debentures

Save for the share option scheme of the Company as disclosed in its annual report for the year ended 31 December 2018, at no time during the six months ended 30 June 2019 was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements which 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 30 June 2019, so far as the Directors were aware, 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	153,031,609 (L)	30.89%
EEC Technology	Beneficial owner	51,075,015 (L)	10.31%
Kickstart Holdings Limited	Beneficial owner	40,188,996 (L)	8.11%
Spring Capital Asia Fund, L.P.	Interest in controlled corporation *(Note 3)*	40,188,996 (L)	8.11%

Notes:

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

2. *The percentages are calculated based on the 495,349,000 Shares in issue as at 30 June 2019.*

3. *Kickstart Holdings Limited 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 Holdings Limited by virtue of the SFO.*

Save as disclosed above, as at 30 June 2019, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 October 2015. Further details of such share option scheme is available in the annual report of the Company for 2018.

During the six months ended 30 June 2019, no share option was granted or agreed to be granted under the share option scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2019, the Company complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules with the exception of code provision A.2.1. 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. For further details of such exception, please refer to the section headed "Corporate Governance Report – (D) Chairman and Chief Executive" of the annual report of the Company for the year ended 31 December 2018.

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 six months ended 30 June 2019.

OTHER INFORMATION

CHANGE OF DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the Director's information required to be disclosed pursuant to rule 13.51B (1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 December 2018 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with management and external auditor the accounting policies, accounting standards and practices adopted by the Group and the unaudited consolidated interim financial information and results of the Group for the six months ended 30 June 2019.

By Order of the Board
Zhao Shu
Chairlady

Hong Kong, 30 August 2019

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羅兵咸永道

TO THE BOARD OF DIRECTORS OF
DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED
(incorporated in Cayman with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 48, which comprises the interim condensed consolidated balance sheet of Denox Environmental & Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2019

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	**Unaudited Six months ended 30 June 2019 RMB'000**	2018 RMB'000
Revenue from contracts with customers	8	**15,742**	9,710
Cost of sales	9	**(15,046)**	(11,363)
Gross loss		**696**	(1,653)
Selling and marketing expenses	9	**(6,340)**	(3,032)
Administrative expenses	9	**(9,944)**	(10,228)
Other gains – net	10	**102**	22
Operating loss		**(15,486)**	(14,891)
Finance income	11	**445**	481
Finance costs	11	**(1,583)**	–
Finance (costs)/income – net		**(1,138)**	481
Loss before income tax		**(16,624)**	(14,410)
Income tax expenses	12	**(397)**	(46)
Loss for the period		**(17,021)**	(14,456)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences	23	**263**	590
Other comprehensive income for the period		**263**	590
Total comprehensive loss for the period		**(16,758)**	(13,866)

	Note	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000
(Loss)/Profit for the period attributable to:			
– Shareholders of the Company		**(17,643)**	(14,574)
– Non-controlling interests		**622**	118
		(17,021)	(14,456)
Total comprehensive (loss)/profit attributable to:			
– Shareholders of the Company		**(17,380)**	(13,984)
– Non-controlling interests		**622**	118
		(16,758)	(13,866)
Losses per share attributable to shareholders of the Company (expressed in RMB per share)			
Basic losses per share	13	**(0.036)**	(0.029)

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2019

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**48,863**	47,825
Right-of-use assets	4.1	**17,664**	–
Land use rights	4.1	**–**	15,334
Intangible assets	15	**10,036**	12,129
Long-term prepayments	20	**1,762**	1,768
Restricted cash	21	**1,879**	1,901
Total non-current assets		**80,204**	78,957
Current assets			
Inventories	17	**65,900**	40,629
Trade receivables	18	**36,120**	49,717
Financial assets at fair value through other comprehensive income	19	**12,080**	6,569
Prepayments, deposits and other receivables	20	**14,661**	13,597
Restricted cash	21	**43**	889
Cash and cash equivalents	21	**114,367**	145,424
Total current assets		**243,171**	256,825
Total assets		**323,375**	335,782
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,554**	–
Deferred income	25	**–**	10
Deferred income tax liabilities	16	**1,681**	1,811
Total non-current liabilities		**3,235**	1,821

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Current liabilities			
Trade payables	24	**10,148**	3,822
Advances from customers		**11,344**	10,147
Accruals and other payables	25	**9,916**	15,009
Current income tax liabilities		**7,018**	6,511
Total current liabilities		**38,426**	35,489
Total liabilities		**41,661**	37,310
Net assets		**281,714**	298,472
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	22	**31,506**	31,596
Treasury stock	22, 23	**–**	(635)
Share premium	23	**850,103**	850,648
Capital reserves	23	**(552,410)**	(552,410)
Other reserves	23	**33,593**	33,164
Accumulated deficits		**(95,045)**	(77,236)
		267,747	285,127
Non-controlling interests		**13,967**	13,345
Total equity		**281,714**	298,472

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Unaudited Attributable to shareholders of the Company								
	Note	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		**31,596**	**(635)**	**850,648**	**(552,410)**	**33,164**	**(77,236)**	**285,127**	**13,345**	**298,472**
Comprehensive loss										
(Loss)/profit for the six months ended 30 June 2019		**–**	**–**	**–**	**–**	**–**	**(17,643)**	**(17,643)**	**622**	**(17,021)**
Other comprehensive income										
Currency translation differences		**–**	**–**	**–**	**–**	**263**	**–**	**263**	**–**	**263**
Total comprehensive loss		**–**	**–**	**–**	**–**	**263**	**(17,643)**	**(17,380)**	**622**	**(16,758)**
Transaction with shareholders										
Appropriation to statutory reserves	23	**–**	**–**	**–**	**–**	**166**	**(166)**	**–**	**–**	**–**
Cancellation of treasury stock		**(90)**	**635**	**(545)**	**–**	**–**	**–**	**–**	**–**	**–**
Total transaction with shareholders, recognised directly in equity		**(90)**	**635**	**(545)**	**–**	**166**	**(166)**	**–**	**–**	**–**
Balance at 30 June 2019		**31,506**	**–**	**850,103**	**(552,410)**	**33,593**	**(95,045)**	**267,747**	**13,967**	**281,714**

		Unaudited Attributable to shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		31,802	851,181	(552,410)	29,685	(38,026)	322,232	13,085	335,317
Changes in accounting policy – IFRS 9		–	–	–	–	725	725	–	725
As restated		31,802	851,181	(552,410)	29,685	(37,301)	322,957	13,085	336,042
Comprehensive loss									
(Loss)/profit for the six months ended 30 June 2018		–	–	–	–	(14,574)	(14,574)	118	(14,456)
Other comprehensive income									
Currency translation differences		–	–	–	590	–	590	–	590
Total comprehensive loss		–	–	–	590	(14,574)	(13,984)	118	(13,866)
Appropriation to statutory reserves	23	–	–	–	155	(155)	–	–	–
Balance at 30 June 2018		31,802	851,181	(552,410)	30,430	(52,030)	308,973	13,203	322,176

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash used in operations		**(24,329)**	(10,313)
Interest received		**688**	75
Income tax paid		**(19)**	(98)
Net cash used in operating activities		**(23,660)**	(10,336)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,324)**	(3,475)
Decrease/(increase) in pledged deposits		**868**	(42)
Purchase of land use rights		**(1,647)**	–
Net cash used in investing activities		**(6,103)**	(3,517)
Cash flows from financing activities		**–**	–
Net decrease in cash and cash equivalents		**(29,763)**	(13,853)
Cash and cash equivalents at beginning of period	21	**145,424**	180,381
Exchange gains/(losses) on cash and cash equivalents		**(1,294)**	996
Cash and cash equivalents at end of period	21	**114,367**	167,524

The notes on pages 23 to 48 form an integral part of this interim consolidated financial information.

1. GENERAL INFORMATION

Denox Environmental & Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 7 November 2014 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in design, development, manufacture and sales of DeNOx catalysts in the People's Republic of China (the "**PRC**").

This interim condensed consolidated financial information is presented in Renminbi (the "**RMB**"), unless otherwise stated. This interim condensed consolidated financial information was approved by the board of directors of the Company for issue on 30 August 2019.

This interim condensed consolidated financial information has not been audited.

Key events

In February 2019, Gu'an Denox, a subsidiary of the Company, and two third party individuals established Langfang Denox Environment & Technology Co., Ltd. ("**Langfang Denox**"), a company intends primarily to engage in development and manufacture of DeNOx catalysts for vehicles. The registered capital of Langfang Denox is RMB5,000,000, of which the Group holds 40% equity interests. As at 30 June 2019, the capital contribution of RMB2,000,000 had not been paid up by the Group.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, 'Interim financial reporting'. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Denox Environmental & Technology Holdings Limited during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2018 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earning and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2019.

3. ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and made retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet early adopted by the Group

New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group include the followings:

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
Revised conceptual framework	Revised conceptual framework for financial reporting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 4.2 below.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.1 Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	790
Discounted using the lessee's incremental borrowing rate of at the date of initial application	698
Add: adjustments as a result of a different treatment of extension options	831
Lease liability recognised as at 1 January 2019	1,529
Of which are:	
Current lease liabilities	–
Non-current lease liabilities	1,529
Add:	
Prepaid lease payments	1,262
Reclassification of land use rights	15,334
Right-of-use assets recognised as at 1 January 2019	18,125

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and reclassification of land use rights relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of asset:

	Land use right RMB'000	Properties RMB'000	Vehicles RMB'000
At 1 January 2019	**15,334**	**2,675**	**116**
Depreciation	**(176)**	**(267)**	**(18)**
At 30 June 2019	**15,158**	**2,408**	**98**

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.1 Adjustments Recognised on Adoption of IFRS 16 *(Continued)*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB18,125,000
- Long-term prepayments – decrease by RMB651,000
- Land use rights – decrease by RMB15,344,000
- Prepayments, deposits and other receivables – decrease by RMB611,000
- Lease liabilities (non-current) – increase by RMB1,529,000

There is no impact on accumulated deficits on 1 January 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 The Group's Leasing Activities and How These are Accounted for

The Group is a lessee of various offices which are currently classified as operating leases. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties and vehicles were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated comprehensive income statements on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 The Group's Leasing Activities and How These are Accounted for *(Continued)*

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of RMB831,000.

5. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no changes in the risk management policies since the year ended 31 December 2018.

6.2 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 30 June 2019				
Trade payables	**10,148**	**–**	**–**	**10,148**
Accruals and other payables (excluding payroll payable and tax payable)	**6,762**	**–**	**–**	**6,762**
	16,910	**–**	**–**	**16,910**
As at 31 December 2018				
Trade payables	3,822	–	–	3,822
Accruals and other payables (excluding payroll payable and tax payable)	11,770	–	–	11,770
	15,592	–	–	15,592

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

6.3 Fair Value Estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	–	–	**12,080**	**12,080**

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

6.3 Fair Value Estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	–	–	6,569	6,569

There were no transfers between levels during the period. There were no other changes in valuation techniques during the period.

6.4 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents the changes in level 3 instruments as at 30 June 2019.

	Financial assets at fair value through other comprehensive income RMB'000
Opening balance at 1 January 2019	**6,569**
Additions	**26,441**
Disposals	**(20,930)**
Closing balance at 30 June 2019	**12,080**

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

6.4 Fair Value Measurements Using Significant Unobservable Inputs (Level 3) *(Continued)*

The following table presents the changes in level 3 instruments as at 30 June 2018.

	Financial assets at fair value through other comprehensive income RMB'000
Opening balance at 1 January 2018	–
Additions	11,969
Disposals	(9,409)
Closing balance at 30 June 2018	2,560

6.5 Fair Value of Financial Assets and Liabilities Measured at Amortised Cost

The fair values of the following financial assets and liabilities approximate their carrying amount:

– Trade receivables

– Other receivables (excluding prepaid expenses)

– Cash and cash equivalents

– Trade payables

– Other payables and accruals (excluding accrued payroll, government grant and other tax liabilities)

7. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group has determined that its business, as a whole, falls into one segment.

8. REVENUE FROM CONTRACT WITH CUSTOMERS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of plate-type DeNOx catalysts	**13,334**	9,710
Sales of DeNOx catalysts for diesel powered vehicles	**2,408**	–
	15,742	9,710

9. EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Changes in work in progress, finished goods and goods in transit	**(25,095)**	(14,771)
Raw materials consumed and consumable used	**30,989**	20,317
Employee benefit expenses	**8,700**	7,276
Depreciation, amortisation and impairment charges (Notes 14,15)	**6,157**	3,882
Professional services fees	**2,127**	2,313
Utilities charges and office expenses	**2,167**	1,704
Consulting service fees	**1,900**	1,051
Transportation and warehouse expenses	**1,313**	910
Research and development expenses	**1,331**	858
Depreciation of right-of-use assets (Note 4.1)	**461**	–
Operating lease rentals	**159**	423
(Reversal of)/provision for warranty	**(42)**	17
(Reversal of)/provision for impairment of receivables	**(3,482)**	(47)
Provision for/(reversal of) inventory write-down (Note 17)	**662**	(1,787)
Others	**3,983**	2,477
	31,330	24,623

10. OTHER GAINS - NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants	**110**	30
Foreign exchange losses	**(5)**	(4)
Others	**(3)**	(4)
	102	22

11. FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents and restricted cash	**445**	75
Net foreign exchange gains on financing activities	**–**	406
	445	481
Finance costs		
Interest expenses on lease liabilities	**(25)**	–
Net foreign exchange losses on financing activities	**(1,558)**	–
	(1,583)	–
Finance (costs)/income – net	**(1,138)**	481

12. INCOME TAX EXPENSES

The Group is not subject to taxation in the Cayman Island. Hong Kong profits tax has been provided for at a rate of 16.5% (2018: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 15% (2018: 25%).

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax expenses	**527**	188
Deferred income tax (Note 16)	**(130)**	(142)
	397	46

Income tax expenses are recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the six months ended 30 June 2019 is -5.81% and 16.5%, respectively (2018: -3.14%and 16.5%, respectively).

13. LOSSES PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2019	2018
Loss attributable to shareholders of the Company (RMB'000)	**(17,643)**	(14,574)
Weighted average number of ordinary shares in issue (thousand shares)	**495,349**	500,000
Basic losses per share attributable to the ordinary equity holders of the company (express in RMB per share)	**(0.036)**	(0.029)

(b) Diluted

Diluted losses per share is calculated by dividing the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.

For the six months ended 30 June 2019 and 2018, the Group had no potentially dilutive ordinary shares in issue.

14. 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 ("CIP") RMB'000	Total RMB'000
Six months ended 30 June 2019							
Opening net book value as at 1 January 2019	**29,543**	**8,977**	**306**	**436**	**20**	**8,543**	**47,825**
Additions	**–**	**2,192**	**–**	**34**	**–**	**2,876**	**5,102**
Transferred from CIP	**782**	**9,449**	**–**	**–**	**–**	**(10,231)**	**–**
Depreciation charge	**(1,105)**	**(1,168)**	**(57)**	**(128)**	**–**	**–**	**(2,458)**
Impairment (i)	**–**	**(1,464)**	**–**	**–**	**–**	**(142)**	**(1,606)**
Closing net book value as at 30 June 2019	**29,220**	**17,986**	**249**	**342**	**20**	**1,046**	**48,863**
As at 30 June 2019							
Cost	**39,935**	**59,334**	**1,603**	**1,807**	**423**	**5,242**	**108,344**
Accumulated depreciation and impairment	**(10,715)**	**(41,348)**	**(1,354)**	**(1,465)**	**(403)**	**(4,196)**	**(59,481)**
Net book value	**29,220**	**17,986**	**249**	**342**	**20**	**1,046**	**48,863**
Six months ended 30 June 2018							
Opening net book value as at 1 January 2018	31,797	8,504	358	682	62	15,232	56,635
Additions	–	31	–	5	–	487	523
Transferred from CIP	–	683	–	–	–	(683)	–
Depreciation charge	(1,062)	(574)	(86)	(133)	(42)	–	(1,897)
Closing net book value as at 30 June 2019	30,735	8,644	272	554	20	15,036	55,261
As at 30 June 2018							
Cost	39,153	45,410	1,625	1,884	423	15,036	103,531
Accumulated depreciation and impairment	(8,418)	(36,766)	(1,353)	(1,330)	(403)	–	(48,270)
Net book value	30,735	8,644	272	554	20	15,036	55,261

(i) The Group performs impairment testing on property, plant and equipment and intangible assets as the Group's continued loss from operations and delay in realisation of revenue generated from the sale of DeNOx catalysts for diesel-powered vehicles and vessels indicate that the carrying amount may not be recoverable. During the six months ended 30 June 2019, impairment of RMB1,584,000 and RMB770,00 has been provided for property, plant and equipment and intangible assets, respectively (six months ended 30 June 2018: nil and nil for property, plant and equipment and intangible assets, respectively).

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

The Group's property, plant and equipment and intangible assets has been allocated to the following product lines or business process as cash-generating units for impairment testing. The following is a summary the carrying amount of property, plant and equipment and intangible assets included in each of the cash-generating units:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Property, plant and equipment		
– Wuxi Denox stainless mesh production ("**Wuxi CGU**")	**4,798**	3,967
– Plate-type DeNOx catalysts production ("**Plate-type CGU**")	**2,416**	2,530
– DeNOx catalysts for diesel-powered vehicles and vessels ("**Diesel-powered Vehicles and Vessels CGU**")	**13,424**	17,069
Total carrying amount	**20,638**	23,566
Intangible assets		
– Wuxi CGU	**4,045**	5,212
– Plate-type CGU	**223**	306
– Diesel-powered Vehicles and Vessels CGU	**6,546**	10,847
Total carrying amount	**10,814**	16,365

The recoverable amounts of the above cash-generating units have been determined based on their value in use. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the remaining useful lives period.

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

For each of the CGUs, the key assumptions used for the value-in-use calculations in six months ended 30 June 2019 and in 2018 are as follows. In addition, where there has been an impairment loss in CGUs, the recoverable amount is also disclosed in below.

Six months ended 30 June 2019	Diesel-powered Vehicle and Vessels CGU
Pre-tax discount rate (%)	**18.46%**
Sales growth rate (%)	**0.00%~284.93%**
Gross profit margin (%)	**-13.32%~22.59%**
Recoverable amount of CGU (RMB'000)	**17,583**

2018	Wuxi CGU	Plate-type CGU	Diesel-powered Vehicle and Vessels CGU
Pre-tax discount rate (%)	24.16%	19.04%	17.77%
Sales growth rate (%)	4.85%~12.23%	7.46%~30.94%	0.00%~370.59%
Gross profit margin (%)	21.21%~23.95%	8.17%~23.17%	-19.21%~18.25%
Recoverable amount of CGU (RMB'000)	7,859	N/A	18,950

15. INTANGIBLE ASSETS

	Goodwill RMB'000	Patent rights RMB'000	Software RMB'000	Technical know-how RMB'000	Total RMB'000
Six months ended 30 June 2019					
Opening net book value at 1 January 2019	**–**	**136**	**4**	**11,989**	**12,129**
Amortisation charge	**–**	**(62)**	**(1)**	**(1,249)**	**(1,312)**
Impairment (Note 14)	**–**	**–**	**–**	**(781)**	**(781)**
Closing net book value at 30 June 2019	**–**	**74**	**3**	**9,959**	**10,036**
As at 30 June 2019					
Cost	**7,262**	**8,124**	**7**	**31,640**	**47,033**
Accumulated amortisation and impairment	**(7,262)**	**(8,050)**	**(4)**	**(21,681)**	**(36,997)**
Net book value	**–**	**74**	**3**	**9,959**	**10,036**
Six months ended 30 June 2018					
Opening net book value at 1 January 2018	–	271	5	19,711	19,987
Amortisation charge	–	(67)	(1)	(1,741)	(1,809)
Closing net book value at 30 June 2018	–	204	4	17,970	18,178
As at 30 June 2018					
Cost	7,262	8,124	7	31,640	47,033
Accumulated amortisation and impairment	(7,262)	(7,920)	(3)	(13,670)	(28,855)
Net book value	–	204	4	17,970	18,178

16. DEFERRED INCOME TAX LIABILITIES

The analysis of deferred income tax liabilities is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Valuation adjustment resulting from acquisition of a subsidiary	**1,681**	1,811

The movements of the deferred income tax liabilities are as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Opening balance as at 1 January	**1,811**	2,365
Charged to the consolidated statement of comprehensive income	**(130)**	(554)
Closing balance as at 30 June	**1,681**	1,811

As at 30 June 2019, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the accumulated deficits of approximately RMB64,785,000 (The six months ended 30 June 2018: accumulated deficits of approximately RMB11,528,000).

The unused tax losses incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses can be carried forward and will expire from 2022 to 2024.

17. INVENTORIES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Raw materials	**17,089**	14,534
Work-in-progress	**3,589**	4,716
Finished goods	**10,480**	10,814
Goods in transit	**34,742**	10,565
	65,900	40,629

For the six months ended 30 June 2019, the cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB14,478,000 (The six months ended 30 June 2018: RMB11,313,000).

Provision for write-down of inventories to net realisable value amounted to RMB662,000 (The six months ended 30 June 2018: reversal of provision for write-down of inventories amounted to RMB1,787,000). These were recognised as cost of sales in the consolidated statement of comprehensive income.

18. TRADE RECEIVABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Trade receivables	**41,994**	59,073
Less: provision for impairment	**(5,874)**	(9,356)
	36,120	49,717

Aging analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Less than 1 year	**26,483**	29,377
1 year to 2 years	**7,467**	10,572
2 years to 3 years	**1,629**	13,081
Over 3 years	**6,415**	6,043
	41,994	59,073

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Bills receivable	**12,080**	6,569

As at 30 June 2019 and 31 December 2018, financial assets at fair value through other comprehensive income represented bills receivable where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Included in non-current assets		
Prepayments for acquisition of property, plant and equipment	**1,613**	902
Long-term prepaid expenses	**149**	866
	1,762	1,768
Included in current assets		
Value-added tax recoverable	**10,336**	7,543
Deposits	**2,653**	1,461
Prepayments to suppliers	**705**	1,105
Staff advance	**354**	388
Prepaid employees' housing subsidy	**138**	146
Prepayment for professional service fee	**64**	199
Amount due from a third party agent	**–**	927
Prepayments for rental of office	**–**	575
Export tax refund	**–**	503
Others	**411**	750
	14,661	13,597
Total	**16,423**	15,365

21. CASH AND BANK BALANCES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Current		
Cash and cash equivalents	**114,367**	145,424
Restricted cash	**43**	889
	114,410	146,313
Non-current		
Restricted cash	**1,879**	1,901
Total cash and cash equivalents and restricted cash	**116,289**	148,214

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

22. SHARE CAPITAL AND TREASURY STOCK

	Number of shares issued	Share capital RMB'000
As at 31 December 2018	496,758,000	31,596
Cancellation of treasury stock	(1,409,000)	(90)
As at 30 June 2019	**495,349,000**	**31,506**

During the six months ended 30 June 2019, 1,409,000 shares of treasury stock that the Group repurchased but not cancelled in 2018 had been cancelled, RMB90,000 and RMB545,000 had been deducted from share capital and share premium (Note 23), respectively.

23. SHARE PREMIUM, CAPITAL RESERVES 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
Balance at 1 January 2019	**850,648**	**(552,410)**	**12,884**	**10,214**	**10,066**	**331,402**
Appropriation to statutory reserves	**–**	**–**	**166**	**–**	**–**	**166**
Currency translation differences	**–**	**–**	**–**	**–**	**263**	**263**
Cancellation of treasury stock (Note 22	**(545)**	**–**	**–**	**–**	**–**	**(545)**
Balance at 30 June 2019	**850,103**	**(552,410)**	**13,050**	**10,214**	**10,329**	**331,286**
Balance at 1 January 2018	851,181	(552,410)	12,665	10,214	6,806	328,456
Appropriation to statutory reserves	–	–	155	–	–	155
Currency translation differences	–	–	–	–	590	590
Balance at 30 June 2018	851,181	(552,410)	12,820	10,214	7,396	329,201

In accordance with the respective articles of association and board resolutions, the Group's subsidiaries incorporated in the PRC 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.

24. TRADE PAYABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Third party	**10,148**	3,822

Ageing analysis of trade payables as at 30 June 2019 and 31 December 2018 was as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Within 6 months	**9,852**	3,558
6 months to 1 year	**43**	–
1 to 2 years	**–**	124
Over 2 years	**253**	140
	10,148	3,822

25. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Included in non-current liabilities		
Deferred income – government grants	**–**	10
Included in current liabilities		
Payables for purchases of property, plant and equipment and CIP	**3,238**	4,285
Payroll and welfare payables	**2,773**	3,121
Payables for purchases of land use rights	**–**	2,573
Payables for consulting service fee	**407**	1,352
Amount due to non-controlling interest (Note 26 (c))	**670**	830
Accruals and payables for utilities and transportation fee	**994**	826
Accrual for audit fees	**925**	600
Warranty provision	**324**	621
Value-added and other taxes payables	**381**	118
Others	**204**	683
	9,916	15,009
	9,916	15,019

26. RELATED PARTY TRANSACTIONS

(a) The following companies and persons are related parties of the Group during six months ended 30 June 2019 and 2018:

Names of the related parties	Nature of relationship
Mr. Chen Qizhao	Close family member of Ms. Zhao Shu (the "**Controlling Shareholder**")
Zhongyu Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程（北京）有限公司)	Controlled by a director of the Company
Mr. Chen Zhengfang	Non-controlling shareholder of Wuxi Denox

26. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the financial information, the Group has the following transactions with related parties, which are all discontinued transactions except for operating lease as disclosed in below:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Operating lease:		
Mr. Chen Qizhao	**146**	157
Zhongyu Environmental Engineering (Beijing) Co., Ltd.	**18**	18
	164	175

(c) Balance with related parties

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
(i) Lease liabilities:		
Mr. Chen Qizhao	**1,311**	–
(ii) Prepayment of rental fees:		
Mr. Chen Qizhao	**–**	626
Zhongyu Environmental Engineering (Beijing) Co., Ltd.	**–**	116
	–	742
(iii) Payable to related parties:		
Shareholder's loan		
– Mr. Chen Zhengfang	**670**	830

Mr. Chen Zhengfang provided shareholder loans to Wuxi Denox. These loans were unsecured, interest free, and with no fixed payment term.

27. COMMITMENTS

Capital commitments

As at 30 June 2019 and 31 December 2018, the Group's capital expenditure commitment is shown below:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Capital expenditure contracted for but not provided for:		
Acquisition of property, plant and equipment	**–**	642