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

2020
ANNUAL REPORT

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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

Ms. CHAN Yeuk Wa *(appointed on 30 June 2020)*
Mr. LI Min
Mr. ONG Chor Wei
Mr. LAM Yiu Por *(resigned on 30 June 2020)*

Audit Committee

Ms. CHAN Yeuk Wa *(Chairlady)*
(appointed on 30 June 2020)
Mr. LI Min
Mr. ONG Chor Wei
Mr. LAM Yiu Por *(resigned on 30 June 2020)*

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. WONG Yu Kit *(appointed on 1 June 2020)*
Mr. CHAN Chung Kik, Lewis *(resigned on 1 June 2020)*

Authorised Representatives

Ms. ZHAO Shu
Mr. LIU Lianchao

Auditor

SHINEWING (HK) CPA Limited
(appointed on 30 June 2020)
PricewaterhouseCoopers
(retired on 30 June 2020)

Registered Office in Cayman Islands

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

Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Headquarters and Principal Place of Business in the PRC

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

Cayman Islands Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
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 Construction Bank Corporation
China Merchants Bank

Company's 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: HK01452), I am pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**" or "**Denox**") for the year ended 31 December 2020.

Review on the work of the Group for 2020

2020 was an extremely difficult year for the global economy. Under the impact of the COVID-19 pandemic, the global major economies suffered overall economic recession, whilst China was the only major economy that achieved GDP growth, yet the growth rate was only 2.3%. Meanwhile, trade frictions and tariff levels between China and the United States remained high, and the Cold War mentality emerged in world politics and economy, therefore, the economic situation in next few years will become more complicated. China's total GDP exceeded RMB100 trillion in 2020, and foreign trade and manufacturing both recovered strongly, particularly the rapid growth of high-tech investment. However, at the same time, the pandemic caused material impact on many small and medium-sized enterprises and the real economy, which in turn impacted people's livelihood and employment.

In 2020, with the concerted efforts of all employees, the Group overcame the adverse effect of the macroeconomic situation and basically ensured stable operation.

In the field of traditional plate-type catalyst: in the case of the low-level operation of the thermal power market and the impact of the pandemic at the beginning of the year, the Group obtained a bundled bidding contract for catalyst from China Huaneng Group Co., Ltd., and completed most of the deliverables under the contract for the year, laying a foundation for stable operation throughout the year.

In the field of extruded honeycomb catalysts: the Group expanded its production capacity of honeycomb catalysts as planned, and at the same time made a good beginning in the honeycomb catalysts market. The Group signed export contracts of honeycomb catalysts with foreign power plants, and made achievements in the ceramic industry, steel industry, and biomass power generation industry, which established confidence for the Group to further develop its honeycomb catalyst business.

In the field of China VI vehicle catalysts: the Ministry of Ecology and Environment of China further postponed the time of implementing the Limits and Measurement Methods for Emissions from Diesel Fuelled Heavy-Duty Vehicles (China VI) to 1 July 2021 after taking comprehensive consideration. To this end, the Group actively carried out research and development, production and market exploration of catalysts for natural gas-powered vehicles, and began to conduct research and development and market reserves of catalysts for diesel-powered

vehicles and related products. In 2020, the Group obtained the first announcement of natural gas catalyst products and signed supply contracts of catalysts for natural gas-powered vehicles, which means that the Group will gradually be accepted by relevant customers in the vehicle field.

Outlook on the work of the Group for 2021

In 2021, the Group will continue to focus on the industrial DeNOx catalysts and vehicles DeNOx catalysts and related products. The main business plan includes:

(1) Starting from the end of 2020,the prices of major bulk raw materials have shown a rising trend. While developing honeycomb catalyst and vehicle catalyst products, the Group will also consider reducing manufacturing costs and do everything possible to ensure that the products will achieve a certain gross profit margin.

(2) Since the honeycomb catalysts are more widely applied in the industrial field, the Group will steadily improve the production capacity of its equipment in 2021, further increase qualification rate, and vigorously strengthen market exploration in electric power, non-electric and other industrial sectors. The China II standard will be imposed on steamship emissions with effect from 1 July 2022, the Group will continue to closely monitor the movement in the vessel (engine) catalyst market.

(3) In respect of vehicle catalysts and related products under the China VI standard, the Group will strive to make further breakthroughs in the natural gas-powered vehicle catalyst market, continue to strengthen research and development and trial production of catalysts for diesel-powered vehicles, and aim to stand on the same starting line with other competitors in the industry, so as to achieve market breakthroughs.

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 support and understanding. We will continue to optimize the Group's strategic layout according to the changes in domestic and overseas economic situation, continue to carry out research and development, production and market development of environment-friendly products in the industrial and vehicle fields, and make contributions to the atmospheric controlling of China and even the world.

Zhao Shu
Chairlady

29 March 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the Reporting Period.

The Company is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

(A) Corporate Governance Practices

The Company has adopted 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 during the Reporting Period.

Throughout the Reporting Period, 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 section titled "(D) 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 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 throughout the Reporting Period.

(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
Ms. CHAN Yeuk Wa *(appointed on 30 June 2020)*
Mr. LI Min
Mr. ONG Chor Wei
Mr. LAM Yiu Por *(resigned on 30 June 2020)*

The biographical information of the Directors and the relationships between the members of the Board (if any) 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 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.

In essence, the Board will take into account the re-electing Director's attendance of Board meetings and serving on committees in assessing his/her ability to devote sufficient time and attention to participate in the affairs of the Company. In addition, the Company will take into account the background, expertise and experience of the re-electing Directors in assessing the possible contribution by the re-electing Director to the Company.

Mr. Ong Chor Wei serves as a member in the Audit Committee, Remuneration Committee and Nomination Committee of the Company. During the past two years after Mr. Ong was last re-elected on 7 June 2018, he attended all board meetings, committee meetings and general meetings of the Company. On that basis, the Board is of the view that Mr. Ong can devote sufficient time to the Board despite his directorship in seven or more listed companies.

In addition, the Board is of the view that Mr. Ong's management experience and positions in numerous listed companies, financial institutions and public bodies has contributed, and will continue to contribute, to the management and internal governance of the Company. On that basis, the Board supports the re-election of Mr. Ong and recommends Shareholders to vote in favor of the relevant resolution at the upcoming AGM.

Attendance Record of the Directors

The attendance record of each Director at the Board and board committee meetings, and annual general meeting of the Company held for the year of 2020 is set out below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual general meeting
Executive Directors					
Ms. ZHAO Shu	5/5	N/A	1/1	1/1	1/1
Mr. KONG Hongjun	5/5	N/A	N/A	N/A	1/1
Mr. LI Ke	5/5	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. LI Xingwu	5/5	N/A	N/A	N/A	1/1
Mr. TEO Yi-Dar	5/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Ms. CHAN Yeuk Wa *(appointed on 30 June 2020)*	2/5	1/2	N/A	N/A	1/1
Mr. LI Min	5/5	2/2	1/1	1/1	1/1
Mr. ONG Chor Wei	5/5	2/2	1/1	1/1	1/1
Mr. LAM Yiu Por *(resigned on 30 June 2020)*	3/5	1/2	N/A	N/A	N/A

Independence of the independent non-executive Directors

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 all independent non-executive Directors to be 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.

All Directors have participated in appropriate continuous professional development programs to develop and refresh their knowledge and skills and received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

(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 the 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 committees, 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

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

All Directors (including non-executive Directors) have entered into service contracts or letter of appointment with the Company for a term of three years until terminated in accordance with the terms of the service contracts or letter of appointment. Under the service contracts or letter of appointment, either party may terminate such contract at any time by giving the other not less than three months' notice in writing.

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. The latest terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange. As at the date hereof, the Audit Committee consists of three independent non-executive Directors, namely Ms. Chan Yeuk Wa (being the chairlady of the Audit Committee who has a professional qualification in accountancy), Mr. Li Min, and Mr. Ong Chor Wei, who has appropriate professional qualification under Rules 3.10(2) and 3.21 of the Listing Rules.

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.

The Audit Committee held two meetings during the Reporting Period to review, among others, the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, appointment and scope of work of external auditors.

The Company's annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

The attendance records of each member of the Audit Committee are set out in the section "Attendance Record of the Directors" above.

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 latest terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange. The Remuneration Committee consists of three members, being Mr. Li Min, Ms. Zhao Shu and Mr. Ong Chor Wei, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Li Min.

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.

The Remuneration Committee held one meeting during the Reporting Period, 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 attendance records of each member of the Remuneration Committee are set out in the section "Attendance Record of the Directors" above.

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

The remuneration bands	Number of individuals 2020	2019
Nil to HK$1,000,000	**2**	1
HK$1,000,001 – HK$2,000,000	**–**	1

Information on the emoluments of the Directors and the five highest paid individuals are set out in notes 13 and 14 to the consolidated financial statements.

Nomination Committee

The Company established a Nomination Committee on 19 October 2015 with written terms of reference. The latest terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange. The Nomination Committee consists of three members, being Ms. Zhao Shu, Mr. Li Min and Mr. Ong Chor Wei. Two of the members are independent non-executive Directors. The Nomination Committee is chaired by Ms. Zhao Shu.

The primary functions 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.

The Nomination Committee held one meeting during the Reporting Period, with all members thereof 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. 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.

The attendance records of each member of the Nomination Committee are set out in the section "Attendance Record of the Directors" above.

(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 2020, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the Reporting Period 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

For the year ended 31 December 2020, the fees paid/payable to SHINEWING (HK) CPA Limited for the audit of the consolidated financial statements of the Group were RMB0.845 million.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control system of the Group and for reviewing its effectiveness on an annual basis.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Internal control and risk management systems are reviewed annually to ensure its continuous effectiveness. The Group has in place a risk management framework which has the following five components: risk identification, risk assessment, risk treatment, reporting and monitoring.

The Company has outsourced the internal control auditing function as it is more cost-effective. During the Reporting Period, the Company engaged an external internal control consultant to conduct review on the effectiveness of the Group's internal control system and reporting to the Audit Committee and the Board. A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted by rotation and performed annually. The examination consisted of enquiry, discussion and validation through observation and inspection. The result of the review has been reported to the Audit Committee and the Board and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. Based on the reports from the Group's external and internal control consultant, the Audit Committee and the Board consider the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG Code.

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 has also engaged Mr. Wong Yu Kit, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, as the joint company secretary since 1 June 2020, who is responsible for assisting Mr. Liu in performing his duties as the company secretary. Mr. Liu Lianchao is the primary point of contact of the Company for Mr. Wong. For the year ended 31 December 2020, each of Mr. Liu and Mr. Wong has received not less than 15 hours of relevant professional training to update their knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

The biographical details of Mr. Liu is 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 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) for convening 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(s) 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 Articles of Association (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 in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong or its Hong Kong Branch Share Registrar and Transfer Office at Level 54, 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 websites of the Company and the Stock Exchange. There has been 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 chairman/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: Room 1507, Block 2, Nuode Center, No. 128 Nansi Huan Xi Road, Fengtai District, Beijing, 100070, PRC
Fax: +86 10 88580859
Telephone: +86 10 88829058

(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.

(M) DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board may deem appropriate and relevant.

Any declaration and payment as well as the amount of the final dividends requires the approval of the Shareholders, and is also subject to all relevant applicable laws, rules and regulations in the Cayman Islands and the Articles of Association. The Board will review the dividend policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities

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

The Company's management analysis report for 2020 and outlook on the work for 2021

I. Work overview of the Company for 2020

In 2020, the global economy was impacted by the coronavirus ("**COVID-19**") pandemic. Although China was the only major economy which achieved GDP growth around the world, its GDP growth rate also fallen to 2.3%, which is the lowest growth in history. In this case, the Company's overall operation was also under great pressure. Thanks to the efforts of all the employees of the Company, the Company's overall business suffered limited impact and basically maintained stable operation in 2020.

(I) Plate-type and Honeycomb DeNOx catalysts

1. Current market situation

(1) China's thermal power industry has been operating at a low level in recent years, and the overall catalyst inventory market in the thermal power industry has not changed too much. At present, the industrial catalyst manufacturers are still in a situation of overcapacity, and the entire market is a buyer's market. After the industry reshuffle, the existing catalyst manufacturers have became stronger, the market competition is very intense, every manufacturer is taking measures to explore the market and reduce and cut various costs as much as possible.

(2) In addition to China's thermal power industry, other industrial markets were greatly affected by the COVID-19 pandemic in the first half of the year, and the overall market was dragged down, however, with the economic recovery in the second half of the year, the market rebounded gradually.

(3) In respect of vessel catalyst market, since China will implement the China II standard with effect from 1 July 2022, and foreign catalysts will still dominate the market in the initial stage, it is expected that it will take some time for the market to actually start.

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

(1) Marketing and after-sale services

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

The notable marketing work of the Group in 2020 includes:

- At the beginning of the year, the Group obtained an export order of honeycomb catalysts from Italy and delivered it smoothly, making a good start for the marketing of honeycomb catalyst products; and the Group's products were recognized by the Italian customer, which was reflected by the fact that two additional orders were placed successively;

- At the beginning of the year, the Group obtained a bundled bidding order for flat catalysts from China Huaneng Group Co., Ltd., which laid a foundation for the marketing and product manufacturing of the Group throughout the year;

- The Group obtained certain export orders of honeycomb catalysts from Vietnam in the middle of the year, marking that the Group's efforts in honeycomb catalyst products were truly recognized by international customers;

- The Group continued to develop the low-temperature catalyst market, and carried out a pilot test of low-temperature honeycomb catalysts in ceramic industry projects to prepare in advance for subsequent large-scale environmental protection application in the ceramic industry; and

- The Group fulfilled a breakthrough of zero performance in the biomass boiler and steel pellet industry, which marked that the Group's products covered a wider range of industries and the overall competitiveness was improved.

(2) Product manufacturing

At the beginning of the first half of 2020, the order volume was insufficient and it was very difficult to commence production due to the impact of the pandemic. Subsequently, the production was gradually increased, and the production load began to rebound gradually after June. The Group continued to focus its efforts on reducing product manufacturing costs and product inventory, and the gross profit margin of the Group's plate-type catalysts stood at a relatively high level for the Company in recent years.

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

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

1. In 2020, the Group's customer orders for the catalysts used for diesel-powered vehicles under the China V standard increased steadily over the previous year, and the product quality was recognized by customers. In view of that the "China VI" standard will be officially imposed on heavy-duty diesel-powered vehicles with effect from 1 July 2021, the Group will initiatively reduce the production of China V catalysts at the end of the year to avoid inventory backlog of the China V products of the Company due to standard switching.

2. The Group has been working on China VI catalyst products for natural gas-powered vehicles. It obtained the first announcement of natural gas catalyst products and also signed a supply contract for China VI products used for natural gas-powered vehicles.

3. The installation and debugging of the large-scale production line purchased by the Group was completed, and the Group is preparing for trial production.

4. The Group continued to enhance marketing efforts, and continued to strengthen communication with several domestic vehicle manufacturers, diesel engine factories and exhaust emission system packaging companies with an aim to achieve greater market breakthroughs as soon as possible.

II. Key work arrangements of the Group for 2021

(I) Plate-type and honeycomb DeNOx catalysts

1. In 2021, the Group will continue to strengthen its marketing efforts, especially the marketing and sales of honeycomb catalysts, and release the Company's production capacity as much as possible. The Group will continue to reinforce its exploration in non-electric industry to increase the proportion of products in non-electric industry.

2. The Group will try to expand the engineering business of the catalyst-related installation, commissioning and replacement alongside with daily after-sales service, and strive to achieve breakthroughs in the engineering sector, so as to realize mutual promotion with product sales.

3. The Group will continue to strengthen cost control, especially the labor costs, bulk raw material costs, spare parts consumption and inventory control that are related to manufacturing costs, to enhance the Group's market competitiveness.

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

1. China V vehicle catalysts

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

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

   (1) Research and development

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

   (2) Market development

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

   (3) Production safety

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

FINANCIAL REVIEW

Revenue from contracts with customers

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

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

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

Revenue generated from sales of plate-type DeNOx catalysts decreased to approximately RMB44.2 million, representing a decrease of 17.9% as compared to approximately RMB53.9 million of the same period in 2019, which was primarily attributable to fluctuations in market demand. The average selling price of plate-type DeNOx catalysts per m^3 increased by approximately 9.6% from RMB9,521 per m^3 in 2019 to RMB10,435 per m^3 in 2020, while the sales volume of plate-type DeNOx catalysts decreased by approximately 23.9% from 5,658 m^3 in 2019 to 4,304 m^3 in 2020. The plate-type DeNOx catalysts market was mainly derived from power plant customers.

In 2020, the Group recorded a revenue from sales of DeNOx catalysts for diesel-powered vehicles of approximately RMB7.4 million. Subject to the China VI standards in executed by China soon, the total sales of China V standard products was limited. The Group will foster the research and development and trial production of China VI catalyst and related products.

Gross profit

In 2020, the Group recorded a gross profit of approximately RMB15.7 million resulted from the selling price rebound of plate-type DeNOx catalysts and sales of DeNOx catalysts for diesel-powered vehicles (China V standard) products with higher profit margin. In 2019, the Group recorded a gross profit of approximately RMB6.7 million as a result of continued vicious market competition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation cost, consulting service expenses and employee benefit expenses, etc. The Group's selling and marketing expenses remained relatively stable in 2019 and 2020, representing 17.6% and 14.0% of the Group's total revenue from contracts with customers in 2019 and 2020, respectively.

Administrative expenses

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

Finance income/costs

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

Loss attributable to the owners of the Company

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

Other performance indicators

The following table sets forth other performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended 31 December	
	2020	2019
Current Ratio *(Note 1)*	**3.1 times**	5.0 times
Quick Ratio *(Note 2)*	**1.9 times**	3.8 times
Return on equity *(Note 3)*	**N/A**	N/A
Return on total assets *(Note 4)*	**N/A**	N/A

Notes:

(1) Current ratio is calculated based on total current assets of the Group divided by total current liabilities of the Group as at the end of the respective year.

(2) Quick ratio is calculated based on total current assets of the Group less inventories of the Group divided by total current liabilities of the Group as at the end of the respective year.

(3) Return on equity is calculated by dividing income attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company.

(4) Return on total assets is calculated by dividing income attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total assets of the Group.

Current ratio and quick ratio

The Group's current ratio decreased from 5.0 times as at 31 December 2019 to 3.1 times as at 31 December 2020 and quick ratio decreased from 3.8 time as at 31 December 2019 to 1.9 times as at 31 December 2020. Such decrease was mainly due to the increase in down payment from customers of approximately RMB23.8 million as at 31 December 2019 to approximately RMB44.0 million as at 31 December 2020 because more sales contracts were awarded in the second half of 2020.

Return on equity and return on total assets

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

Liquidity and Capital Resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 31 December 2020, the Group had net current assets of approximately RMB157.2 million (2019: approximately RMB199.1 million) of which cash and cash equivalents were approximately RMB85.0 million (2019: approximately RMB125.4 million) and were denominated in RMB, US$, HK$ and Euro€ as at 31 December 2020.

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

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2019 and 31 December 2020.

Use of net proceeds from the Listing

As at 31 December 2020, net proceeds not utilised of approximately RMB53.7 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the prospectus of the Company dated 30 October 2015.

Purposes	Planned Amount RMB'million	Balance as at 31 December 2019 RMB'million	Reallocation during the year ended 31 December 2020 RMB'million	Amount utilized during the year ended 31 December 2020 RMB'million	Balance as at 31 December 2020 RMB'million	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) (Note)
Development of DeNOx catalysts for diesel-powered vehicles	78.6	35.2	–	(14.6)	20.6	Fourth quarter of 2024
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	24.3	(24.3)	–	–	N/A

Purposes	Planned Amount RMB'million	Balance as at 31 December 2019 RMB'million	Reallocation during the year ended 31 December 2020 RMB'million	Amount utilized during the year ended 31 December 2020 RMB'million	Balance as at 31 December 2020 RMB'million	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) (Note)
Research and development	17.1	5.1	–	–	5.1	Fourth quarter of 2024
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	2.1	–	–	2.1	Fourth quarter of 2024
Replacement of the Group's No. 1 production line	5.1	1.6	(1.6)	–	–	N/A
Working capital and general corporate purposes	17.1	–	25.9	–	25.9	Fourth quarter of 2024
Total	171.0	68.3	–	(14.6)	53.7	

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

Borrowings

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

Pledge of Assets

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

Capital expenditure

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the year ended 31 December 2020, the Group had invested approximately RMB24.3 million for the purchase of property, plant and equipment (2019: approximately RMB9.9 million). These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 31 December 2020, the Group had capital commitment amounted to RMB1.4 million (2019: RMB2.0 million) for capital contribution to an associate company, Langfang Denox Environmental & Technology Co., Ltd., which is principally engaged in development and manufacture of DeNOx catalysts for vehicles. As at 31 December 2020, the Group had capital commitment amounted to approximately RMB2.0 million (2019: nil) for acquisition of property, plant and equipment.

Contingent liabilities

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

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

Employees

As at 31 December 2020, the Group had 206 employees (2019: 165). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the directors, senior management and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Please refer to the section headed "Share Option Scheme" for details. The Group's growth is dependent upon the skills and dedication of employees. The Group recognises the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Important events affecting the Group after the Reporting Period

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

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

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

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 market price of plate-type DeNOx catalysts

The average selling price of plate-type DeNOx catalysts per m^3 has experienced a drop from RMB25,080 per m^3 in 2014 to RMB10,435 per m^3 in 2020 due to market vicious competition. To compete effectively and maintain the Group's market share, the Group has reduced its selling prices. The Group's business and revenue growth is dependent on favourable market conditions in the PRC and therefore any potential decline in selling prices in the PRC could have a material adverse effect on its business, results of operations and financial condition.

Risks pertaining to the reliance on the major customers

The customer base of the Group is highly concentrated. Most of its customers are major coal-fired power plants, DeNOx EPC service providers and boiler manufacturers. For the year ended 31 December 2020, sales to the largest customer and five largest customers of the Group, which are the large state-owned power generation groups in China in aggregate accounted for approximately 15.8% and 53.0% of the Group's total revenue, respectively. 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$, US$ and EUR€. RMB experienced certain fluctuation against HK$ and US$ during the year ended 31 December 2020 which is the major reason for the exchange gains recognised by the Group. During the year ended 31 December 2020, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against RMB 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 2020.

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 harmonious and respectful workplace.

The Company 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 change in a timely manner, which are crucial to the development and success of the Group.

Results and Appropriations

The results of the Group for the year ended 31 December 2020 are set out in the accompanying financial statements on page 92.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Closure of Register of Members

For determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 25 June 2021 (the "**Annual General Meeting**"), the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 June 2021.

Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 159.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year ended 31 December 2020 are set out in note 17 to the consolidated financial statements.

Share Capital

Details of the share capital of the Group and the Company are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report and note 30 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 December 2020, the aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 15.8% and 53.0% of the Group's aggregate revenue respectively, while the aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 15.7% and 44.2% of the Group's aggregate purchases respectively.

None of the Directors, their close associates or any Shareholder (whom to the knowledge of the Directors owns more than 5% of the total 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 49,403,700 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 Rule 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 (or his/her associates if such Eligible Participant is a connected person) (as defined in the Listing Rules) 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. The remaining life of the Share Option Scheme is around 5 years and 6 months.

(f) Details of any options granted, exercised, canceled of lapsed under the Share Option Scheme

During the Reporting Period and up to the date hereof, no share options share has been granted, exercise, canceled or lapsed under the Share Option Scheme. As of 31 December 2019 and 2020, the Company has no outstanding share option under the Share Option Scheme.

Directors

The Directors during the Reporting Period and up to the date of this report were:

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

Ms. Chan Yeuk Wa *(appointed on 30 June 2020)*
Mr. LI Min
Mr. ONG Chor Wei
Mr. LAM Yiu Por *(resigned on 30 June 2020)*

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 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Accordingly, Ms. Chan Yeuk Wa shall hold office till the Annual General Meeting and be eligible, has offered herself for re-election at the Annual General Meeting.

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. As such, Mr. Kong Hongjun, Mr. Li Xingwu and Mr. Ong Chor Wei shall retire from office and being eligible, offer themselves for re-election at the Annual General Meeting.

Changes to Information in Respect of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company subsequent to the date of the 2019 annual report of the Company up to the date of this report are set out below:

- Mr. Lam Yiu Por resigned as an independent non-executive Director and the chairman of the audit committee of the Company with effect from 30 June 2020.
- Ms. Chan Yeuk Wa was appointed as an independent non-executive Director and the chairlady of the audit committee of the Company with effect from 30 June 2020.
- Mr. Ong Chor Wei is an independent non-executive director of Smart Globe Holdings Ltd. (Stock code: 1481), a company's listing transferred from GEM to the main board of the Stock Exchange on 11 December 2020.
- Mr. Ong Chor Wei was a non-executive director of Prosperous Printing Company Limited (Stock code: 8385), a company listed on the Stock Exchange, during September 2016 to October 2020.

Please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" of this annual report for the updated details.

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

All Directors have entered into service contracts or letter of appointment with the Company for an initial term of three years until terminated in accordance with the terms of the service contracts or letter of appointment. Under the service contracts or letter of appointment, either party may terminate such contract at any time by giving the other not less than three months' notice in writing.

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).

Retirement Benefit Plans

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, and the level of contributions are not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. Details of the retirement benefit plans of the Group are set out in notes 3 and 33 to the consolidated financial statements.

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

As at 31 December 2020, 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 *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Ms. Zhao Shu ("**Ms. Zhao**")	Beneficial owner	14,812,477 (L)	3.00%
	Interest in controlled corporation *(Note 3)*	153,031,609 (L)	30.98%
Mr. Li Xingwu ("**Mr. Li**")	Interest in controlled corporation *(Note 4)*	51,075,015 (L)	10.34%
Mr. Kong Hongjun ("**Mr. Kong**")	Interest in controlled corporation *(Note 5)*	8,887,475 (L)	1.80%
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 494,037,000 Shares in issue as at 31 December 2020.
3. These 153,031,609 Shares are held by Advant Performance Limited 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 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 2020, 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.

Equity Linked Agreements

Save as disclosed in the section headed "Share Option Scheme", no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2020.

Directors' Right to Acquire Shares or Debentures

Save for the Share Option Scheme as disclosed in this annual report, at no time during the year ended 31 December 2020 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 2020, 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 *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Advant Performance Limited	Beneficial owner	153,031,609 (L)	30.98%
EEC Technology Limited	Beneficial owner	51,075,015 (L)	10.34%
Kickstart Holdings Limited	Beneficial owner	40,188,996 (L)	8.13%
Spring Capital Asia Fund, L.P.	Interest in controlled corporation *(Note 3)*	40,188,996 (L)	8.13%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The percentages are calculated based on the 494,037,000 Shares in issue as at 31 December 2020.
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 31 December 2020, 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 the 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 Reporting Period.

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 Reporting Period.

Controlling Shareholders' Interests in Contracts

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group had been made during the Reporting Period.

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 Limited, 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 Limited, 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/it to the Company under the Deed of Non-competition. The independent non-executive Directors 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 2020.

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 2020.

Related Party Transactions

Details of the related party transactions entered into by the Group during the year ended 31 December 2020 are set out in Note 35 to the consolidated financial statements, and none of these related party transactions constituted a connected transaction or continuing connected transaction pursuant to the Listing Rules.

Distributable Reserves

The Company has no distributable reserve as at 31 December 2020 (2019: Nil).

Purchase, Sale or Redemption of Listed Securities

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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 its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period and up to the date of this report.

Compliance with Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and recognises that good corporate governance is important for the long-term success of the Company's business.

During the Reporting Period and up to the date of this report, 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 the chairlady of the Group and has extensive experience in the business operation and management in general, there is no separation of the roles of the chairlady and the chief executive officer of the Company. Given the current stage of the development of the Group, the Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company.

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

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.

Donations

During the Reporting Period, our Group made no charitable and other donations.

Review by the Audit Committee

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

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

Change of Auditor

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

Professional Tax Advice Recommended

If any Shareholder 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, 29 March 2021

BOARD OF DIRECTORS

Executive Directors

Ms. Zhao Shu (趙姝), aged 55, 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 23 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 153,031,609 Shares held by Advant Performance Limited, 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.

Mr. Kong Hongjun (孔紅軍), aged 53, 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 53, 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 54, 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 Limited. 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 50, 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 18 years of direct investment experience. From 1996 to 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 1997 to 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 Securities Trading Limited ("**Singapore Exchange**"), where he was primarily responsible for business development. Since 1999 till 2016, 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. Currently, Mr. Teo is the Director of TPSC Asia Pte Ltd, a petrochemical company in Singapore. 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:

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
December 2011 to present	Penyao Environmental Protection Co Ltd, whose shares are listed on the Shenzhen ChiNext Exchange (Stock Code: 300664)	Water supply and waste water treatment	Non-executive Director	Overseeing the management
February 2013 to present	Asia Vets Holdings Ltd, whose shares are listed on the Singapore Exchange (Stock Code: 5RE)	Provider of veterinary 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

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

Ms. Chan Yeuk Wa (陳躍華), aged 50, was appointed as an independent non-executive Director on 30 June 2020. Ms. Chan is the chairperson of the Audit Committee. Ms. Chan has extensive experience in investment banking and commercial banking industry. From 1995 to 2006, she worked in Bank of China (Hong Kong) Limited and was responsible for marketing promotion and IPO Receiving Bank Service and Dividend Payment Services, and among others, mergers & acquisitions, privatization, shares repurchase and placing. From 2006 to 2009, Ms. Chan was the team head of IPO Service in the Commercial Business Management Department in Industrial and Commercial Bank of China (Asia) Limited, where she oversaw IPO and listing-related business and developed various banking products. From 2012 to 2019, Ms. Chan was a director and the chief executive officer at Partners Financial Holdings Limited, where she was responsible for various mergers & acquisitions transactions and establishment of private equity funds. Ms. Chan obtained a Master of Business Administration degree from the University of South Australia in 2004.

Mr. Li Min (李民), Ph.D. aged 52, was appointed as an independent non-executive Director on 1 November 2017. Mr. Li is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr LI has been a researcher at the Department of Energy and Power Engineering at the School of Vehicle and Traffic Engineering in Henan University of Science and Technology where he is currently an associate professor and is primarily responsible for teaching and researching on internal combustion engine vibration and noise control, internal combustion engine structure finite element simulation (CAE) and diesel engine tail gas treatment. From July 1991 to February 1996, Mr. Li Min was an assistant engineer Luoyang Yisuo Company Technology Center (洛陽一拖公司技術中心) where he was primarily responsible for engine testing and pump design work.

Mr. Li Min received 2 second prizes of Scientific and Technological Progress in Henan Province, and approval for 4 applications of invention patent. He also conducted and completed 2 appraisals for Henan Provincial Department of Science and Technology. He has published more than 20 academic theses in domestic and foreign academic periodicals, of which more than 10 were published by EI. He obtained education and teaching awards such as the outstanding teacher, the outstanding lecturer of master program and the outstanding lecturer of undergraduate design programme at Henan University of Science and Technology.

Mr. Li Min received his bachelor's degree from Xi'an Jiaotong University in July 1991, his master's degree from Henan University of Science and Technology in July 2000, and his doctorate's degree from Tianjin University in March 2009.

Mr. Ong Chor Wei (王祖偉), aged 51, 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 30 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. 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), Nameson Holdings Limited (Stock Code: 1982) and Smart Globe Holdings Limited (Stock code: 1481) (a company's listing transferred from GEM to the main board of the Stock Exchange on 11 December 2020), respectively, all of which are listed on the Stock Exchange.

Previously, he served as a non-executive director of Hong Wei (Asia) Holdings Company Limited (Stock Code:8191), a company listed on the Growth Enterprise Market of the Stock Exchange, during November 2012 to October 2016. He was a non-executive director of Vico International Holdings Limited (Stock Code: 1621), a company listed on the Stock Exchange, during June 2017 to February 2019. He was a non-executive director of Prosperous Printing Company Limited (Stock code: 8385), a company listed on the Stock Exchange, during September 2016 to October 2020.

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 46, was appointed as one of the joint company secretaries and the authorised representative of the Company on 8 May 2015. 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. Chen Qizhao (陳其照), aged 28, was appointed as the chief financial officer of the Company on 1 June 2020. Mr. Chen graduated from the University of Southern California in the United States in May 2015 majoring in Business Administration. During his time in university, he has successively interned in the investment banking department of Huachuang Securities Co., Ltd. in Beijing, SEAVI Advent in Singapore, and the investment and financing department of CITIC Bank International in Shanghai, and has accumulated working experiences in project due diligence and China investment analysis, corporate initial public offering, and convertible bond and trust business. Mr. Chen has served as a financial manager in the financial department of the Company since he graduated from university, and his main duties are to make use of financial data to optimise the Company's operation management, reduce the Company's operational risks, and improve the Company's profitability. Mr. Chen is the son of Ms. Zhao Shu, the Chairlady and an executive Director of the Company.

1. About the Environmental, Social and Governance Report

This is the fourth Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") of Denox Environmental & Technology Holdings Limited (the "**Company**"). The ESG Report illustrates the sustainability strategies and performance of the Company and its subsidiaries (collectively, "We" or the "Group") regarding ESG aspects. The ESG Report should be read together with the Corporate Governance Report to have a holistic picture of the ESG performance of the Group. The ESG Report has been reviewed and approved by the Board of Directors.

1.1. Reporting Boundary

The reporting scope of the ESG Report covers the Company and its subsidiaries, including Beijing Denox Environmental & Technology Co., Ltd ("**Beijing Denox**"), Gu'an Denox Environmental Equipment Manufacturing Co., Ltd ("**Gu'an Denox**") and Wuxi Denox Environmental & Technology Co., Ltd ("**Wuxi Denox**"). The ESG Report includes the office operation and the research and development, manufacturing and sales of DeNOx catalysts. The reporting period of the ESG Report is from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"), which is consistent with the Annual Report 2020.

1.2. Reporting Guideline

The ESG Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") to the Listing Rules issued by the Stock Exchange of Hong Kong Limited (the"Stock Exchange") in 2016. The ESG Report follows the "comply or explain" provisions of the ESG Guide of the Stock Exchange and the Group has followed the four reporting principles consisting of materiality, quantitative, balance and consistency in preparing the ESG Report.

Materiality	• The ESG Report focuses on responding to the material issues that concern our stakeholders. Therefore, we have identified the material issues through materiality assessment, including conducting stakeholder engagement through questionnaires and determining material issues by the Board of Directors. The detailed materiality assessment process and results are described in Chapter 2.3.2 "Materiality Assessment".
Quantitative	• To evaluate our environmental and social performance, we provide the key performance indicators ("**KPIs**") during the Reporting Period, and disclose information on the standards, methodologies, assumptions and/or calculation tools and source of conversion factors used, for the reporting KPIs.
Consistency	• We adopt consistent calculation methods used in previous reporting periods, providing meaningful comparisons of our environmental and social performance.

1.3. Reporting Language

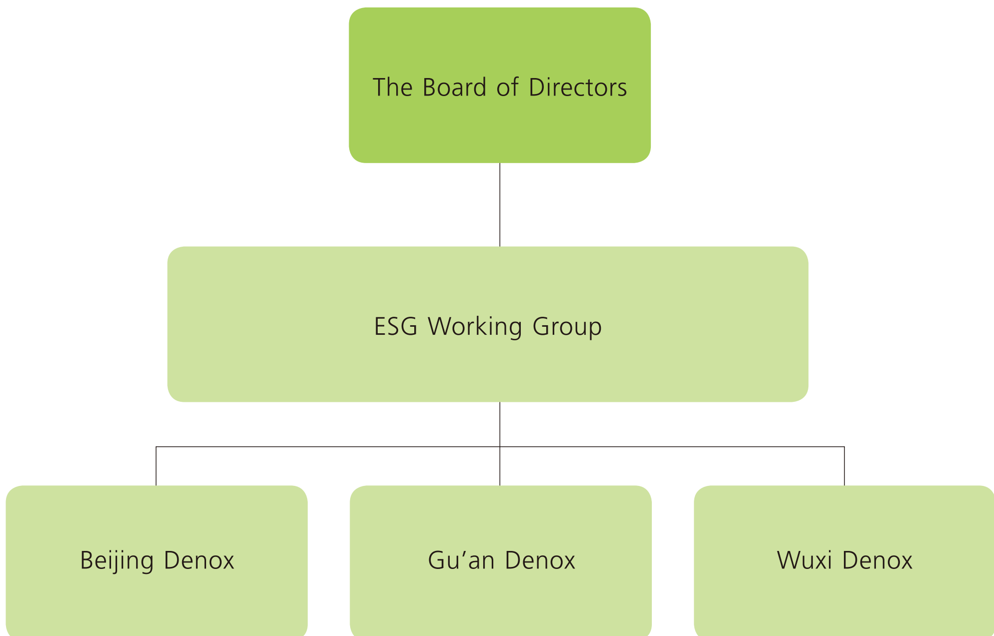
The ESG Report is published in Traditional Chinese and English versions. If there is any ambiguity between the two versions, the Traditional Chinese version shall prevail.

2. Governance in Sustainable Development

The Group understands that sustainable development is an essential part of good corporate governance. Therefore, the Group continues its effort in driving sustainable development progress. The Group constantly refines its ESG governance structure by building a top-down management system, and actively cultivates a sustainability culture among the Group. To implement the concept of sustainability governance during the course of business, the Group actively reviews and manages the environmental and social impacts of the Group, sets relevant environmental and social targets and regularly evaluates the progress of achieving the targets.

2.1. ESG Governance Structure

A well-established ESG governance structure facilitates the implementation of our ESG strategies and measures. During the Reporting Period, we have started the establishment of an ESG Working Group, which assists the Board of Directors in advising and monitoring the strategic planning in corporate sustainability. The Group's ESG governance structure is as follows:



The Board of Directors has overall responsibility for the Group's ESG strategy and reporting, and delegates the ESG Working Group to coordinate the Group's ESG related work. The ESG Working Group is chaired by the Secretary of the Board of Directors and is comprised of the heads of functional departments of the Group's headquarters and its subsidiaries. Responsibilities of the ESG Working Group include:

- To develop and review the ESG management approach and strategy in a timely manner
- To identify, assess and manage the ESG risks and opportunities of the Group
- To set ESG-related targets and to review progress on ESG-related targets
- To identify, assess and manage the Group's material ESG issues
- To prepare ESG reports

The ESG Working Group reports to the Board of Directors regularly on material ESG matters and its work progress, to ensure that the Board of Directors is properly informed of ESG work progress and for the Board of Directors to deliberate and decide on material ESG matters. In order to incorporate the concept of sustainable development into our operation, the ESG Working Group is also responsible to coordinate the implementation and execution of ESG work with various functional departments of the Group's headquarters and subsidiaries.

2.2. ESG Management System, Targets and Performance

We strive to establish a sound quality, environmental, occupational health and safety management system to consolidate the foundation for the sustainable development of the Group. The Group established a quality, environmental, occupational health and safety management system according to the requirements of GB/T 19001-2016/ISO 9001:2015 *Quality Management Systems – Requirements, GB/T 24001-2016/ISO 14001:2015 Environmental Management Systems – Requirements with Guidance for Use* and GB/T 45001-2020/ISO 45001:2018 *Occupational Health and Safety Management Systems – Requirements with Guidance for Use*. We regularly review and update the quality, environment, occupational health and safety management system to ensure it meets the latest standards. Beijing Denox and Gu'an Denox have been audited by third-party agencies and their quality management systems, environmental management systems and occupational health and safety management systems have been certified to be in conformity to the above standards.

To continuously pursue the sustainable development of the Group, the Group sets annual targets related to quality, environmental, occupational health and safety. In order to ensure that the targets could be achieved as scheduled, we have set up sub-targets for the relevant functional departments and regularly review the progress towards achieving those targets. A list of targets and achievements in 2020 is shown below:

Aspects	Targets	Achievements in 2020
Environment	100% compliance to standards, laws and regulation related to environmental protection	✓
	0 Environmental pollution incident	✓
Employee	0 Safety incident rate	✓
	0 Fire incident rate	✓
Product Quality	Procurement compliance rate ≥ 99%	✓
	Delivered product pass rate 100%	✓
	Customer satisfaction rate ≥ 90%	✓
	Contract fulfilment rate 100%	✓

2.3. Stakeholder Engagement

2.3.1. Communications Communicate with stakeholders

Understanding the needs and expectations of stakeholders facilitates the formulation and refinement of the Group's sustainability strategies. Therefore, the Group strives to maintain diversified communication channels with its stakeholders, including email, websites, general meetings, annual reports, interim reports, announcements, circulars, conferences, etc., to promptly seek valuable opinions from its stakeholders. To better respond to the needs and expectations of stakeholders, we actively consider their advice when formulating our sustainable strategies.

Stakeholders	Needs and Expectations	Responses
Relevant Government Departments	Comply with environmental and safety-related laws and regulations	Enhance the screening and identification of safety hazards and work with relevant departments proactively to conduct safety inspections; Implement environmental protection measures accordingly
Shareholders and Investors	Business developments; Maintain competitiveness in the market	Formulate an operation plan which conforms to the strategy of the Group; Focus on the research and development, production and sales of industrial DeNOx catalysts and vehicles DeNOx catalysts
Customers	Products comply with relevant laws and regulations, ensure products quality and provide after-sales service; Products comply with national environmental requirements	Keep abreast of the latest environmental protection policies and market demand, enrich the variety of products, and commit to research and development and technical transformation of DeNOx catalysts; Strengthen product quality control and improve product quality
Employees	Reasonable working hours; A clean and tidy workplace	Establish a reasonable work schedule; Arrange regular cleaning for office and production plants
Suppliers	Fair and transparent procurement; Win-win cooperation	Conduct annual supplier assessment, formulate a qualified supplier list and ensure that the products provided by suppliers meet the quality, environmental and safety requirements
Neighbourhood Communities	Protect the community environment	Strengthen the emission reduction technology of DeNOx catalyst to assist the emission reduction of the key pollution industries; Implement environmental protection measures and enhance environmental management

2.3.2. Materiality Assessment

The Group conducts the materiality assessment regularly with the participation of its stakeholders. The Group continuously gauges the opinions of stakeholders regarding their most concerned ESG issues to identify issues with higher materiality to both the Group and its stakeholders. Thus, the Group could respond to the most concerned ESG issues of stakeholders in the ESG Report in a timely manner, and the assessment result can also serve as a reference for the Group to set its future sustainability strategies.

During the preparation of the ESG Report, the Group has entrusted a third-party consultant to assist in the process of the materiality assessment. The materiality assessment is conducted by the following main steps:

Identification

- With reference from the ESG Guide of the Stock Exchange and peer benchmarking, the Group sorted out relevant ESG issues that reflect the nature of the Group's business.
- The Group identified a list of stakeholders to be involved in this materiality assessment based on the "extent of influence by the Group", the of influence on the Group"and feasibility.

Survey

- The Group invited stakeholders identified in the first step to participate in an online survey, including the Board, senior management, employees, shareholders and investors, customers and supplier. The stakeholders ranked each issue in terms of importance to themselves or to the Group.

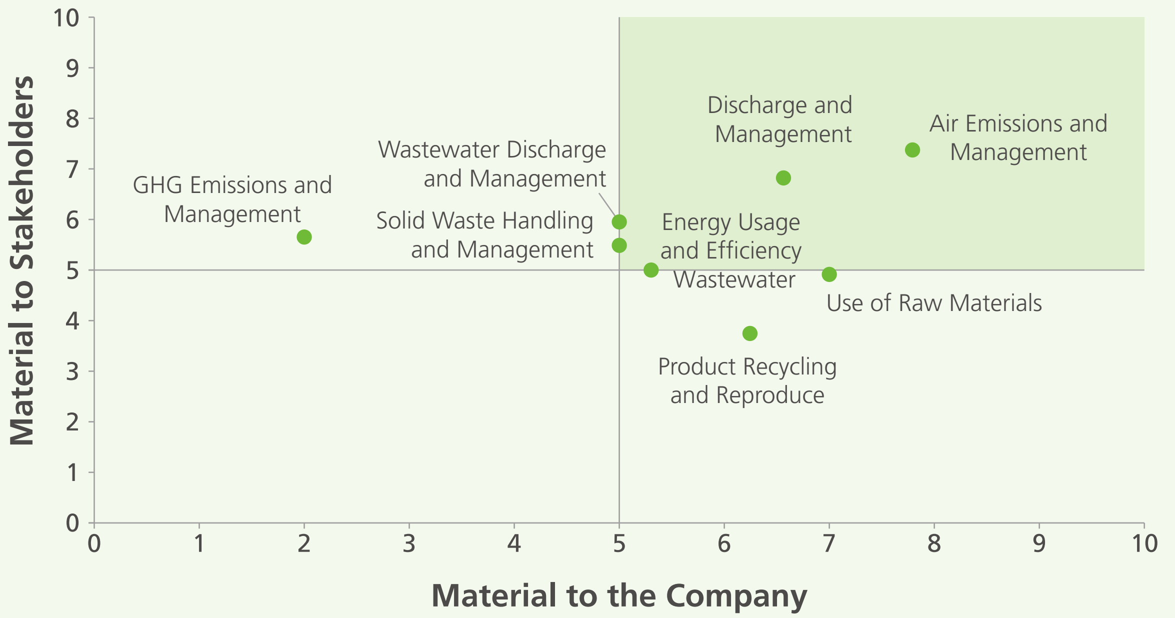
Analysis

- The Group analysed the opinions obtained from the survey in terms of two dimensions, the "materiality to the Group" and the "materiality to stakeholders", to create the material matrices and determine the relative importance of each issue under environmental and social aspects.

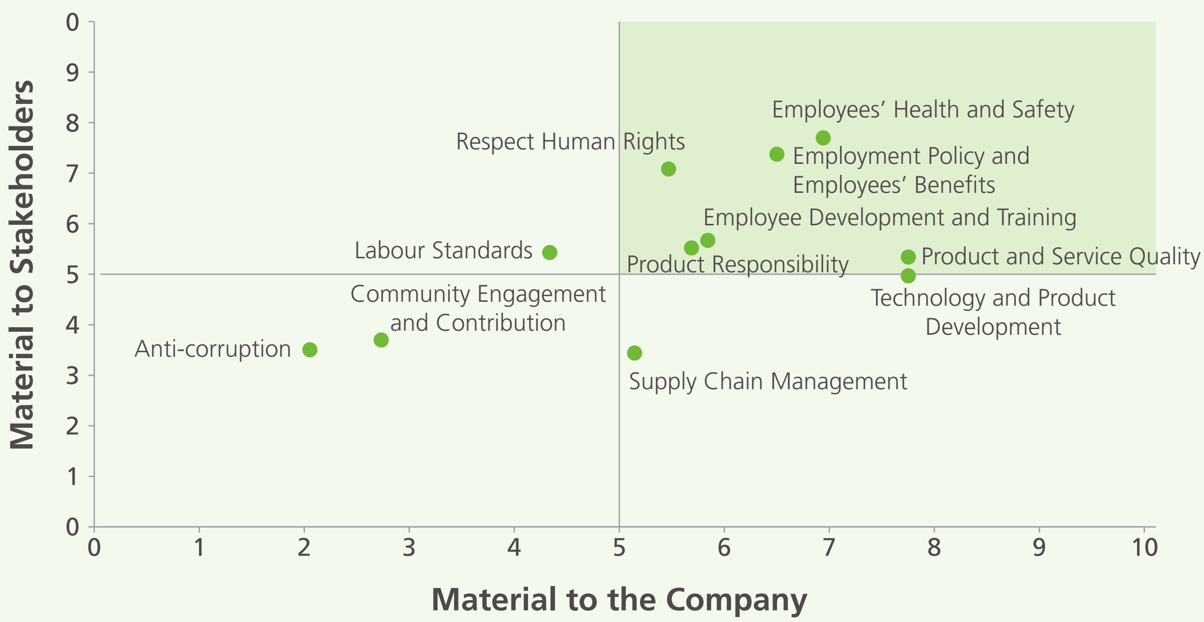
Verification

- The Group's senior management and the Board of Directors reviewed and verified the result of the materiality assessment to ensure that the result is consistent with the direction of business development.

Materiality Matrix for Environmental Issues



Materiality Matrix for Social Issues



Following the above steps and after the analysis of the materiality matrices in environmental and social aspects, the Group identified 4 environmental-related and 6 social-related issues with higher materiality which are shown below. The management approach and performance of the Group on such issues are elaborated as the focus of the subsequent sections.

Issues with Higher Materiality	
Environmental Aspects	**Social Aspects**
• Air Emissions and Management • Wastewater Discharge and Management • Energy Usage and Efficiency • Solid Waste Handling and Management	• Product and Service Quality • Employees' Health and Safety • Technology and Product Development • Product Responsibility • Employee Development and Training • Employment Policy and Employees' Benefit

3. Green Operation

As a company focused on the development of green technology, the Group adheres to the philosophy of green operation and actively promotes environmental protection. The Group strictly abides by the relevant laws and regulations relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, generation and handling of waste and noise pollution that have a significant impact on the Group, including but not limited to the *Environmental Protection Law of the People's Republic of China,* the *Water Pollution Prevention and Control Law of the People's Republic of China,* the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes,* the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the *Environmental Protection Tax Law of the People's Republic of China*, the *Integrated Emission Standard of Air Pollutants,* and the *Implementation Rules of the Action Plan for the Implementation of Air Pollution Prevention and Control in Beijing-Tianjin-Hebei Region and Surrounding Areas*. We have formulated *the Control Procedure of Obtaining and Identifying Laws, Regulations and Other Requirements* to define the responsibility of the relevant departments on regularly updating and compiling a list of environmental laws and regulations requirements, and disseminating information to the relevant departments in a timely manner, to ensure that we operate in compliance with the relevant laws and regulations. During the Reporting Period, the Group did not violate any laws and regulations relating to air and GHG emissions, discharges into water and land, generation and handling of waste and noise pollution that have a significant impact on the Group.

3.1. Environmental Management

During the Reporting Period, the Group took up its environmental responsibility by reducing the impact of its operations on the surrounding environment through the implementation of proper environmental management initiatives. The Group has formulated the *Control Procedure of Environmental Factors' Identification and Assessment* to identify the Group's material environmental factors in the process of procurement, sales, technical development, production and after-sales service. The Group has evaluated the impacts of the identified environmental factors and has implemented corresponding measures to ensure that environmental factors that may cause negative environmental impacts are effectively controlled, and hence minimising significant impacts on the environment and natural resources.

3.1.1. Air Pollutants and GHG Emissions

The emissions of air pollutants of the Group primarily come from fossil fuel combustion of production equipment and machineries. GHG emissions primarily come from the direct emissions from fossil fuel combustion of production equipment and machineries and indirect emissions that occur through the use of purchased electricity.

The production equipment of the Group mainly generates air pollutants such as particular matter, sulphur dioxide and nitrogen oxides. The Group has installed end-of-pipe treatment facilities to reduce the emission of air pollutants.

Case Study: Installation of Treatment Facilities in Gu'an Denox

In the process of DeNOx catalysts production, the mixing and drying processes generate a small amount of dust, while the ageing and roasting processes generate dust, sulphur dioxide and nitrogen oxides. Gu'an Denox has set up exhaust gas treatment facilities such as bag filters and spray tower at the exhaust vents of all production equipment and has stipulated that exhaust gases must meet the requirements set out in the Integrated *Emission Standard of Air Pollutants (GB 16297-1996)* and the *Emission Standard of Air Pollutants for Industrial Kiln and Furnace (DB13/1640-2012)* before discharge. Direct emissions without treatment are strictly prohibited.

Besides, to avoid additional emissions in heavily polluted weather, Gu'an Denox has formulated the *Emergency Operation Plan in Heavily Polluted Weather* and established a response team for handling heavily polluted weather, such as holding off productions in accordance with the government's instructions when necessary. During the Reporting Period, Gu'an Denox has held off a total of 12 days of production for this purpose and reduced about an equivalent of 0.164 tonnes of dust emissions in total.

Meanwhile, we actively implement strategies to reduce emissions at sources, as to reduce air pollutants and GHG emissions from our operations. To reduce direct emissions at sites, all production equipment of Gu'an Denox uses natural gas as fuel, and we consider purchasing machineries powered by electricity instead of machineries powered by diesel when purchasing new machineries. Even though emissions from office operations are relatively lower compared to production processes, we do not underestimate the importance of emissions management of the office. We have implemented relative measures to reduce emissions from offices. The Group constantly strengthens its energy management to cut down unnecessary electricity consumption, and thus reduces GHG emissions that occur through the use of purchased electricity. The Group encourages its employees to use public transportation instead of company vehicles in order to reduce emissions from automotive fuel. In addition, the Group organises internal and external meetings in the form of teleconference whenever possible to reduce the carbon footprint associated with travelling.

3.1.2. Wastewater Discharge

The wastewater discharge of the Group mainly comes from industrial wastewater generated in the production sites and domestic sewage generated in the office area. Among them, all domestic sewage generated from offices is discharged into the municipal pipeline through the sewage system of the buildings.

Moreover, the Group has installed comprehensive wastewater treatment facilities in the production sites to treat the wastewater generated during the operation. The Group ensures the quality of wastewater discharge meets the requirements of the *Integrated Wastewater Discharge Standard (GB 8978-1996)* and the local wastewater treatment plant and then discharges it to the wastewater treatment plant through the municipal pipeline. The Group also tests the quality of wastewater regularly to ensure it meets the discharge standards. During the Reporting Period, the Group discharged 2,276 tonnes of wastewater[1].

3.1.3. Waste Handling

The Group is committed to strengthening the management of waste and abides by relevant national standards, such as the *Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes* (GB 18599-2001) and the *Standard for Pollution Control on Hazardous Waste Storage* (GB 18597-2001). The Group has formulated the Waste Management Procedures and the DeNOx Hazardous Waste Management System to regulate the procedures for the collection, storage and handling of all types of wastes.

1 The amount of discharged wastewater includes industrial wastewater and domestic sewage from Gu'an Denox and domestic sewage from Wuxi Denox.

The hazardous wastes of the Group mainly include waste chemicals, waste batteries, waste cartridges and waste electronic products. Aiming to achieve a 100% safe handling rate of hazardous wastes, the Group assigns qualified waste handling units for centralised handling. The Group strengthens its management and supervision for waste collection and storage. In doing so, the Group sets up labelled storage containers to collect different types of hazardous wastes, preventing the mixing of hazardous wastes into non-hazardous wastes. The non-hazardous wastes of the Group mainly include dust, food wastes and domestic wastes generated in offices. The Group collects and stores each type of non-hazardous wastes separately, and passes the wastes to the property management company for further handling.

In addition, we actively recycle and reuse wastes in order to utilise the value the wastes and reduce the amount of waste generated by our operations. In order to reduce the amount of solid wastes in the production process, Gu'an Denox installs equipment in the production line that collects the shredded materials generated during the mixing process and reuses them in the production process. The annual recycling amount is about 0.2 tonne. Beijing Denox recycles and reuses 70 kilogram of wastepaper in the office to reduce the generation of wastepaper. Moreover, we guarantee that all of our wastes are properly recycled or disposed of, and we actively explore feasible measures to reduce the amount of waste and the associated impacts on the environment.

3.1.4. Noise Control

The noise pollution of the Group mainly arises from the operation of production equipment. The Group has formulated the Control Procedure of Noise to strengthen the management of noise sources and to reduce noise pollution. We have implemented the following measures to reduce the generation and transmission of noise from production equipment:

The Group also conducts regular monitoring to ensure that noise reduction measures are effectively implemented. We also regularly measure the noise levels along the plant boundary to ensure that the noise generated by our operations is below the statutory limit.

Noise Management

- Measure noise level when installing new equipment, and adopt noise reduction measures of equipment that does not meet the standard
- Develop equipment operation procedures to prevent noise generated from improper operation
- Regularly repair and maintain the equipment to ensure that the equipment operates normally, thus reducing operating noise

3.2. Resources Consumption

3.2.1. Energy and Water Consumption

The main energy sources of the Group include purchased electricity and natural gas. The water consumption of the Group is for production and domestic purposes, which mainly comes from municipal water supply, and thus the Group has not encountered any difficulties in water sourcing. Aiming to lower resources consumption, the Group has established the *Energy Saving and Consumption Reduction Management Procedure*, implemented a number of energy and water conservation measures and regularly records the consumption of electricity, natural gas and water. The Group has implemented the following energy and water conservation measures:

Energy Conservation

- Assign the Equipment Management Department to manage the energy consumption, to verify anomalies and to provide suggestions for rectification
- Electrical appliances in the offices are turned off after business hours on time
- Record vehicle fuel consumption on a monthly basis

Water Conservation

- Raise employees' awareness on water conservation, conserve the use of water and turn on the water fixtures when needed and turn them off promptly after use
- Proper control of the opening degree of the water valve to prevent water wastage.
- Strengthen the daily maintenance of water fixtures and water pipes. Repair the damaged water supply system in a timely manner

During the Reporting Period, the Group effectively implemented the energy and water conservation measures with no anomalies detected. In the future, we will continue to monitor the implementation of our energy and water conservation measures, refine our environmental data management system and disclose the results we have achieved.

3.2.2. Raw Materials and Other Resources Consumption

The Group utilises all resources to reduce the consumption of production and packaging materials. We have installed a sludge recycling device to reuse the raw materials remaining after the production. In addition, the Group has implemented various measures to reduce the use of paper, including reusing letter envelopes, sending internal documents by email, setting single-sided paper collection corner to reuse single-sided paper.

Sludge Recycling Device

3.3. Environmental Data

The Group produces plate-type, honeycomb and vehicle catalysts. The amount of each type of product produced varies substantially from year to year in accordance with customer demand, therefore part of our environmental data may vary significantly. The followings are amount of our emissions and resources consumed for the past three reporting periods:

3.3.1. Emissions Data

Emissions	Unit	Data[2,3]		
		2020	2019	2018
Air emissions[4]				
Sulphur dioxide	Tonnes	0.210	0.098	0.090
Nitrogen oxides	Tonnes	0.591	0.215	0.181
Carbon oxide	Tonnes	0.151	0.129	0.110
Total particular matter[5]	Tonnes	0.011	0.003	0.002
GHG emissions				
Total GHG emissions	Tonnes CO2 equivalent	4,990.701	3,473.628	3,232.733
Intensity of total GHG emissions	Tonnes CO2 equivalent per m^3 production volume	0.654	0.401	0.472
Scope 1: direct emissions[6]	**Tonnes CO2**	678.277	265.933	224.405
Intensity of scope 1: direct emissions	Tonnes CO2 equivalent per m^3 production volume	0.089	0.031	0.033

2 The scope of environmental data includes the office in Beijing, and the production plants in Gu'an and Wuxi.

3 The intensity of environmental data of the Group is calculated based on the amount of catalysts produced in m^3. The amount of catalysts produced in 2020 is 7,636.429 m^3. The Group commenced the production of vehicle catalysts in 2019, and hence the calculation of environmental data intensity for 2019 and 2020 included plate-type, honeycomb and vehicle catalysts.

4 The scope of air emissions includes those emitted from the fuel use of stationary sources, vehicles and machineries. The emissions from stationary sources were calculated by referencing the calculation methods and coefficients in the *Manual of the First National Pollution Source Census of Industrial Sources and Pollution Emission Factors* and the *Manual of the First National Pollution Source Census of Urban Life Sources and Pollution Emission Factors* issued by the Ministry of Ecology and Environment of the People's Republic of China. The emissions from the vehicles were calculated by referencing the calculation methods and coefficients in the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* by the Ministry of Ecology and Environment of the People's Republic of China. The Group started disclosing the emissions from the machineries in 2019, which is calculated by referencing the calculation methods and coefficients in the *Non-road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* by the Ministry of Ecology and Environment of the People's Republic of China. The increase in the production of honeycomb catalysts in 2020 has led to an increase in the use of diesel fuel and emissions of air pollutants from transportation products to warehouses.

5 The scope of total particulate matter includes the fuel consumption of vehicles and machineries, and dust emissions from the production process. For the emissions from the vehicles and machineries, please refer to the fourth footnote. The emissions from the production process are estimated based on the 99% dust removal efficiency of the bag filters and the amount of dust collected.

6 The scope of scope 1 GHG emissions includes the fuel use of stationary sources, vehicles and machineries, the use of refrigerants and as well as the reduction from planted trees. The Group started to disclose the GHG emissions from stationary sources related to cooking in 2019. The GHG emissions from stationary sources were calculated by referencing the calculation methods and coefficients in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China. The GHG emissions from vehicles were calculated by referencing the calculation methods and coefficients in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China. The Group started to disclose the GHG emissions from machineries in 2019, which were calculated by referencing the calculation methods and coefficients in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China and *the Greenhouse Gas Inventory Guidance - Direct Emissions from Mobile Combustion Sources* issued by the United States Environmental Protection Agency. The increase in the production of honeycomb catalysts in 2020 has led to an increase in the use of diesel fuel and GHG emissions from transportation products to warehouses. The Group started to disclose the GHG emissions from the use of refrigerants in 2020, which were calculated by referencing the calculation methods and coefficients in the *Fifth Assessment Report* issued by the IPCC. The Group has two trees in total. The GHG emissions reduction from planted trees was calculated by referencing the calculation methods and coefficients in the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong* published by the Electrical and Mechanical Services Department and Environmental Protection Department of Hong Kong.

Emissions	Unit	Data[2,3]		
		2020	2019	2018
Scope 2: indirect emissions[7]	**Tonnes CO2**	4,294.204	3,184.095	2,986.591
Intensity of scope 2: indirect emissions	Tonnes CO2 per m^3 production volume	0.562	0.368	0.436
Scope 3: other indirect emissions[8]	**Tonnes CO2 equivalent**	18.128	23.600	21.737
Intensity of scope 3: other indirect emissions	Tonnes CO2 equivalent per m^3 production volume	0.002	0.003	0.003
Non-hazardous wastes produced				
Total non-hazardous wastes	Tonnes	47.590	55.228	79.338
Intensity of non-hazardous wastes	Tonnes per m^3 production volume	0.006	0.006	0.012
– Domestic wastes and waste products	Tonnes	41.943	41.228	61.000
– Food wastes	Tonnes	4.695	9.000	12.000
– Production wastes[9]	Tonnes	0	4.600	6.000
– Paper[10]	Tonnes	0.202	/	/
– Dust	Tonnes	0.750	0.200	0.169
Hazardous wastes produced				
Total hazardous wastes (except ink cartridges and batteries)	Tonnes	0.319	0.722	1.200
Intensity of hazardous waste (except ink cartridges and batteries)	Tonnes per m^3 production volume	4.173×10^{-5}	8.331×10^{-5}	1.751×10^{-4}
– Waste hydraulic oil	Tonnes	0.310	0.712	1
– Waste paint containers	Tonnes	0	0	0.200
Ink cartridges	No. of ink cartridges	2	3	4
Batteries[11]	No. of batteries	8	/	/

7 The scope of scope 2 GHG emissions includes the purchased electricity and hot water. The GHG emissions from purchased electricity were calculated by referencing the calculation methods and coefficients in the *2011-2012 Regional Power Grid Average CO2 Emission Factors in China* published by the National Development and Reform Commission of the People's Republic of China. The Group started to disclose the GHG emissions from purchased hot water in 2020, which were calculated by referencing the calculation methods and coefficients in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China.

8 The scope of scope 3 GHG emissions includes business air travel by employees, and were calculated by referencing the calculation methods and coefficients in the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

9 The Group has grounded production waste into powder for reuse since 2020, so the amount of production waste generated in 2020 was zero.

10 The Group started to disclose wastepaper in Beijing Denox in 2020.

11 The Group started to disclose the number of disposal batteries in Beijing Denox in 2020.

3.3.2. Resources Consumption Data

Resources Consumption	Unit	Consumption 2020	2019	2018
Energy consumption[12]				
Total energy consumption	MWh	6,468.263	4,954.700	4,548.135
Intensity of total energy consumption	MWh per m^3 production	0.847	0.572	0.664
Indirect energy consumption				
Electricity consumption	MWh	3,766.056	3,653.34	3,421.417
Intensity of electricity consumption	MWh per m^3 production volume	0.493	0.422	0.499
Direct energy consumption				
Natural gas consumption[13]	10 thousand m^3	28.099	9.977	8.344
Intensity of natural gas consumption	10 thousand m^3 per m^3 production volume	4×10^{-3}	1.152×10^{-3}	1.218×10^{-3}
Gasoline consumption	Litre	19,504	19,894	20,593
Intensity of gasoline consumption	Litre per m^3 production volume	2.554	2.297	3.005
Liquefied petroleum gas consumption	Kg	1,321	1,407	1,485
Intensity of liquefied petroleum gas consumption	Kg per m^3 production volume	0.173	0.162	0.217
Diesel consumption[14]	Litre	1,651.260	119.000	/
Intensity of diesel consumption	Litre per m^3 production volume	0.216	0.017	/
Water Consumption				
Water consumption from municipal supply	Tonnes	15,232.075	10,236.344	8,585.838
Intensity of water consumption from municipal supply	Tonnes per m^3 production volume	1.995	1.182	1.253
Packaging materials consumption				
Wood	Tonnes	73.000	66.000	70.500
Plastic	Tonnes	2.540	4.720	2.250
Paper	Tonnes	0.380	0.120	0.167
Metal[15]	Tonnes	424.000	3.120	5.300
Total packaging materials	Tonnes	500.395	73.960	78.217
Intensity of packaging materials	Tonnes per m^3 production volume	0.066	0.009	0.011

12 The following direct energy consumption were converted to MWh in units, which were calculated by referencing the calculation methods and coefficients in the Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial) issued by the National Development and Reform Commission of the People's Republic of China, the Gasoline for Motor Vehicles (GB 17930-2016) and the Automobile Diesel Fuels (GB19147-2016) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardisation Administration of the People's Republic of China

13 The increase in the production of honeycomb catalysts in 2020 has led to an increase in the use of natural gas as its production process primarily involves the use of natural gas.

14 The Group started to disclose the amount of diesel consumed by machineries. The increase in the production of honeycomb catalysts in 2020 has led to an increase in the use of diesel from transportation products to warehouses.

15 The increase in the production of honeycomb catalysts in 2020 has led to an increase in the use of metal in packaging.

4. People-oriented

The Group recognises employees as its valuable assets and believes that they are the crucial contributors to its sustainable development. The Group strives to provide an ideal working environment for its employees, and treat safeguarding their health and safety and fostering their skills development as its responsibility. The Group also proactively cares about the needs of employees, in order to enhance their sense of belongingness and build an efficient and cooperative team.

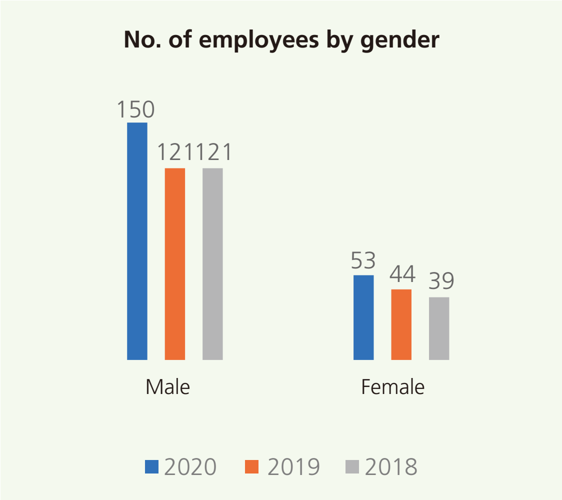
4.1. Employees' Rights and Interests

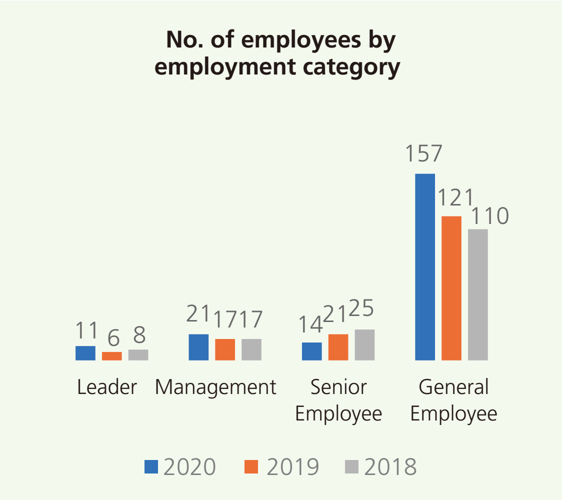
The Group strictly complies with the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare and the prevention of child or forced labour that have a significant impact on the Group, including but not limited to the *Labour Law of the People's Republic of China,* the *Labour Contract Law of the People's Republic of China,* the *Social Insurance Law of the People's Republic of China,* the *Law of the People's Republic of China on the Protection of Minors,* the *Regulation on Paid Annual Leave for Employees* and the *Provisions on the Prohibition of Using Child Labour*. The Group also provides legal and reasonable remuneration and benefits to its employees. During the Reporting Period, the Group did not violate the laws and regulations relating to employment and labour standards that have a significant impact on the Group. The Group has established policies and management systems related to employment and labour standards to safeguard the rights and interests of employees.

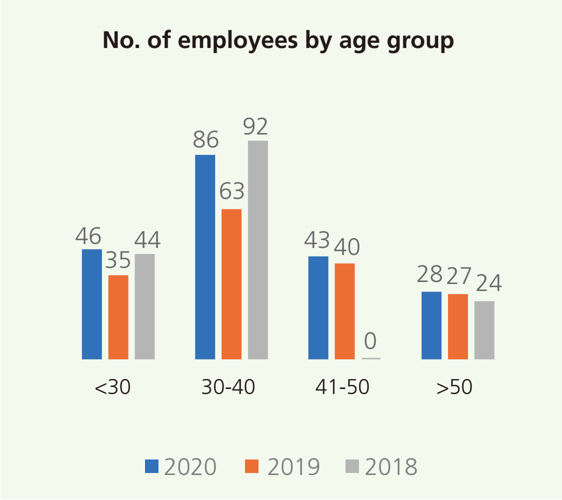
Recruitment and Dismissal	To implement a fair, impartial and transparent recruitment process, the Group has formulated the *Employee Recruitment System, the Management Approach for Employee Selection* and the *Employee Internal Referral Incentives Management System* to standardise the recruitment requirements and procedures. The Group enters into employment contracts with the employees legitimately. All contracts have included terms relating to remuneration, benefits, employee health and safety, confidentiality obligations and grounds for termination. To safeguard the interests of both the employees and the Group, the Group also established regulations relating to employee turnover and dismissal such as notice period and salary compensation.
Compensation and Promotion	To reflect the adoption of fair and impartial salary arrangement principle and enhance employee's performance, the Group has formulated the *Management Approach for Remuneration System* and implemented regulations relating to remuneration and promotion. The Group strives to provide competitive remuneration packages for its employees. The remuneration package includes salary, retirement pension, discretionary bonus, medical insurance plan and other applicable social insurance. We also revise our remuneration packages and offer promotions according to the performance, work experience, education background and professional qualifications of our employees.

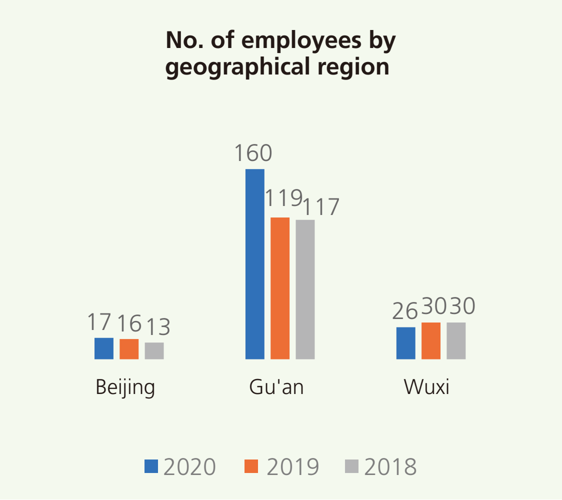
Working Hours and Rest Periods	The Group adopts shift work and stipulates that employees work eight hours a day. The Group has established the *Work Attendance Regulation* to ensure that its employees are entitled to paid leave and other statutory holidays. The Group not only provides marriage leave, maternity leave and paternity leave in accordance with the *Regulations of Hebei Province on Population and Family Planning*, bereavement leave is also provided to the employees.
Fair Opportunity and Diversity	The Group places great emphasis on the personal ability and performance of employees in the areas of recruitment, remuneration, promotion and training. The Group promotes an equal and diverse employment policy to avoid any discrimination against employees based on their races, nationalities, ages, and gender.
Prohibit Child Labour	The Group strictly complies with the *Provisions on the Prohibition of Using Child Labour* by prohibiting the employment of persons under the age of 16. The Group requires candidates to provide valid identity documents during the recruitment process to prove that they meet the statutory age requirements. If any cases of child labour are found, the Group would immediately terminate the employment contract with relevant parties, investigate the incident and improve the recruitment process. During the Reporting Period, there were no cases of use child labour found within the Group.
Prohibit Forced Labour	The Group has formulated the Control Procedure against Forced Labour and the Use of Prisoners, and strictly forbids forced labour. At the same time, the Group has never employed prisoners who are serving their sentences and has never conducted business with any units or organisations that employ prisoners. We also enter into labour contracts with our employees to ensure that all employees are employed voluntarily and have the right to terminate their employment. During the Reporting Period, there were no cases of forced labour found within the Group.

As of end of the Reporting Period, the Group had 203 employees. All of them were full-time employees[16].









	Employee Turnover Rate[17]		
	2020	2019	2018
Employee Turnover Rate	10%	15%	9%
By gender			
Male	11%	19%	8%
Female	9%	2%	11%
By age group			
<30	10%	35%	17%
30-40	11%	10%	6%
41-50	14%	2%	0%
>50	0%	7%	0%
By geographical region			
Beijing	6%	0%	0%
Gu'an	10%	19%	11%
Wuxi	16%	3%	0%

4.2. Caring for Employees

To build reliable employment relationships with mutual support and trust, we strive to maintain effective communication channels with our employees and promptly learn their concerns. To facilitate the communication between employees and the Group, the Group has established the *Employee Representative Election Procedure*, which allows all employees to vote for employee representatives in each department. Employee representatives are responsible for broadly collect employees' opinions and suggestions and meet up regularly to discuss and communicate with management regarding the Group's performance in employment, such as compensation and benefits, working hours, discrimination cases, etc. Besides, to handle employee's feedback in a timely manner by the management, the Group has formulated the *Management Procedures of Employee's Opinions, Suggestions, Complaints and Feedback* to standardise the feedback handling procedures.

Effective communication enables us to understand the needs of our employees and allocate sufficient resources to support them. In early 2020, we found that there is a shortage of epidemic-prevention supplies due to the outbreak of COVID-19. Therefore, we immediately distributed epidemic prevention supplies, such as masks, thermometers and disinfection supplies to our employees, to help them address the problems and show our care and support for them. Furthermore, we also provide festival benefits such as distributing mooncakes to our employees during festivals to share joy with them and enhance their sense of belongingness.

16 The number of employees does not include the number of non-executive directors and independent non-executive directors in the Board of Directors.

17 The employee turnover rate was calculated by dividing the number of employees who left and belonged to the specific category by the total number of employees belonging to the specific category (the sum of the number of employees as of the end of the Reporting Period and the number of employees who left during the Reporting Period).

The Group also actively organises company trips and various recreational and sports activities and provides recreational facilities such as fitness rooms. We encourage our employees to release their stress after work and achieve work-life balance through participating in recreational activities.

Case Study: Distribution of Epidemic Prevention Supplies in Gu'an Denox

When employees return from the Lunar New Year holiday, Gu'an Denox provided employees with epidemic prevention supplies such as masks and disinfection supplies to ensure that employees received adequate epidemic prevention supplies.

Case Study: Company Trip of Wuxi Denox

In July 2020, Wuxi Denox organised a three-day trip to Changxing, Zhejiang Province, which provided an opportunity for employees to release their stress and strengthen their connections with each other.

4.3. Health and Safety

Upholding the principle of safety comes first, we prioritise the safeguarding of employees' safety, and strive to provide a safe working environment. The Group strictly complies with the laws and regulations relating to protecting employees from occupational hazards that have a significant impact on the Group, including but not limited to the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *Administrative Measures for Diagnosis and Identification of Occupational Diseases*. During the Reporting Period, the Group did not violate the laws and regulations listed above that have a significant impact on the Group. In order to prevent, control and eliminate occupational hazards that may arise during operation, the Group has developed and implemented its *Occupational Health Management Policy*, and has identified occupational hazards and implemented preventive measures effectively. The Group also regularly monitors the exposure of employees to occupational hazards, to actively improve workplace safety.

4.3.1. Safe Production

As the Group's operations involve production processes, the Group has developed a comprehensive safety management system and strictly monitors the implementation of safety procedures during the production process. The Group strictly complies with the laws and regulations relating to providing a safe working environment and have a significant impact on the Group, including but not limited to the *Work Safety Law of the People's Republic of China*. During the Reporting Period, the Group did not violate the laws and regulations listed above that have a significant impact on the Group. In addition, the Group has formed a Safety Production Leading Team aiming to strengthen the management of safe production and stipulated the *Safety Production Liability System* to require employees at all levels to be liable for the safety work within their scope of duty.

We have installed appropriate equipment such as ventilators, vent caps, and toxic and hazardous gas leakage alarms at our production sites to mitigate safety risks. Meanwhile, we have enhanced the management of safety facilities and supplies in the workplace, such as setting up safety warning signs, alarm facilities, rinsing facilities and emergency evacuation routes and providing first-aid kits. We also regularly inspect, repair and maintain our facilities to ensure that they are functioning properly.

Protective ear plugs

To better secure the safety of our employees, we distribute protective equipment to our employees according to their job nature and strictly require our employees to wear protective equipment. We regularly check on the effectiveness of protective equipment and collect employees' opinions on protective equipment to monitor the quality of protective equipment.

Raising the safety awareness of our employees is also an essential part of protecting their safety. Therefore, we educate our employees on safety issues through various channels, including newsletters, bulletin boards, safety manuals and safety signs, so that employees can understand relevant knowledge and master relevant preventive and emergency measures. In addition, we organise regular health check-ups for our employees to check whether they are physically fit to work in the relevant positions. If occupational injuries are found, we will promptly reassign employees to another appropriate position or allow them to take a break to reduce the chance of continuous occupational injuries.

Our comprehensive safety management measures have protected the safety of our employees successfully. Therefore, there was no work-related death nor lost working days due to work injury in the past three consecutive reporting periods.

4.3.2. Emergency Preparation and Response

There are many safety risks during operations. The Group has formulated the *Emergency Action Plan* to control those safety risks. Production plants of the Group involve the use of machineries and the storage of raw materials, therefore, we have formulated emergency action plans on mechanical injuries and fires. The Group also regularly organises different emergency drills to enhance employees' familiarity with the emergency plans and improve their ability in responding to emergencies. Despite office environment being a workplace at lower safety risk than production plants, the Group also places great emphasis on office safety by formulating the *Fire Emergency Plan* and the *Electric Shock Emergency Plan*, which standardise the procedures for handling accidents and evacuation in order to perform safety precautions in a comprehensive manner.

Case Study: Mechanical Injury Emergency Drill of Gu'an Denox

In October 2020, Gu'an Denox organised a mechanical injury emergency drill for its employees to practice the procedures for handling hand injuries caused by employees' misconduct. Through this drill, employees practised the procedures of accident reporting, first aid handling and evacuation, and improved their knowledge and skills in handling mechanical injuries.

4.3.3. Epidemic Prevention and Control

In response to the challenges brought by COVID-19, we implemented various preventive measures to ensure the safety of our employees. We arranged for our employees to work at home to reduce the infection risks when there is an outbreak. We have also formulated measures to prevent epidemics in the office. We required our employees to take their body temperature before entering the offices and wear masks throughout the day. In addition, we implemented solo dinning arrangement in the canteen to avoid cross-infection among employees. To further protect the health of our employees, we strengthened the hygiene management of our workplace by disinfecting the office area and canteen on a daily basis.

4.4. Talent Development

We strive to enhance the work skills of our employees and encourage them to develop their talents. As a result, we integrate the personal development of our employees with our business needs and build an outstanding team. We regard employee training as the focus of our human resources development. We formulate annual training plans according to our business needs to ensure that our employees acquire professional knowledge and skills in a timely manner. At the same time, we have also established the *External Training System* to provide incentives for employees to participate in external training, so as to encourage employees to participate in external training according to their individual needs and enhance their professional skills.

We provide different training programs according to the job duties of our employees to ensure that they possess the professional knowledge required. We provide trainings for new employees to ensure that they are fully equipped with the basic skills required to perform their duties. At the same time, we also set up an assessment section for each training to ensure that the trained employees master the knowledge taught in the training.

Case Study: Training on DeNox Catalyst in Beijing Denox

In July 2020, Beijing Denox held a training on professional knowledge of DeNox catalysts for its management representatives, heads of departments and employee representatives who are specialised in product research and development. During the training, the lecturer explained the operation principle of DeNox catalysts, enhancing the knowledge of its employees. After the training, the lecturer tested the training participants through a question and answer session to ensure that all participants understood the training materials.

Case study: Team Leader Training in Gu'an Denox

In order to raise the overall safety awareness of employees, Gu'an Denox conducted a targeted safety training for team leaders. The training included reviewing the daily safety inspection procedures, hazard investigation and management, emergency rescue and other safety operation procedures, as well as explaining the requirements of national laws and regulations. The training reinforced the safety knowledge of team leaders and helped them to lead their team members to carry out safe production in their daily work.

	Percentage of Employees Trained[18]	Average Training Hours Completed per Employee[19]
By gender		
Male	26%	1.84
Female	29%	2.65
By employee category		
Leader	9%	24.00
Management	0%	0.00
Senior Employee	29%	6.00
General Employee	31%	1.39

18 The percentage of employees trained was calculated by dividing the number of trained employees belonging to the specific category by the total number of trained employees belonging to the specific category (the sum of the number of employees as of the end of the Reporting Period and the number of employees who left during the Reporting Period).

19 The average training hours received per employee was calculated by dividing total training hours received by employees belonging to the specific category by number of trained employees belonging to the specific category.

5. Quality Comes First

Our core value is to provide high-quality products and services to our customers. We strive to improve the quality of our products and services in order to maintain our good reputation and company image. During the Reporting Period, the Group strictly abides by the laws and regulations relating to product responsibility that have a significant impact on the Group, including the *Work Safety Law of the People's Republic of China*, the *Product Quality Law of the People's Republic of China*, the *Regulations on Quality Responsibility for Industrial Products*, the *Advertising Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and the *Regulation on the Implementation of the Trademark Law of the People's Republic of China*. During the Reporting Period, the Group did not violate the laws and regulations relating to product responsibility that have a significant impact on the Group.

5.1. Product Quality

The Group places great emphasis on the performance, quality and safety of its products and commits to a 100% pass rate of product delivered, to ensure that customers receive products with high quality. The Group implements quality assurance and monitoring procedures during every production process to ensure high-quality and safe products and services are delivered to its customers. The Group has formulated the *Control Procedures of Nonconforming Product* and the *Control Procedures of Nonconformity, Correction and Preventive Measures*, regulating the screening and handling procedures of nonconforming products from raw material procurement to product delivery.

Raw material procurement

- The quality control starts with raw materials to ensure that the quality of raw materials the standards. The Group has established the Raw Materials Inspection Guidebook, which stipulated that inspectors shall conduct inspections on raw materials according to the inspection items and implementation details listed in the Raw Materials Inspection Guidebook Card. To enable product quality at source, unqualified materials shall be replaced or returned.

Production

- The Group has formulated inspection methods and procedures for every manufacturing and packaging process in the Production Process Inspection Guidebook to provide guidance for inspectors to perform checking and examination for semi-finished and finished products. For non-conforming products that do not meet the quality requirements, we dispose of or reprocess reprocess them to ensureen that our finished products meet the quality requirements.

Product delivery

- After product packaging, the Group will take appropriate protective measures to ensure that the products maintain their original quality throughout the delivery and acceptance processes. Meanwhile, we assign designated personnel to provide assistance to our customers, including explaining how to use the products and addressing technical issues to ensureen that our products works normally.

The Group treats the identification of unqualified products after delivery or used as a major quality issue. The Group would initiate negotiation with customers in a timely manner and analyse the reason for the unqualified products. The Group would take relevant corrective or preventive measures and then deliver the products to customers until they have passed the verification. During the Reporting Period, the Group did not recall any products.

Case Study: Certification of Quality Management System


CERTIFICATE OF QUALITY MANAGEMENT SYSTEM CERTIFICATION

BEIJING DENOX ENVIRONMENT & TECHNOLOGY CO., LTD.

The Group actively renewed and improved its quality management system. During the Reporting Period, the quality management system of Beijing Denox has been certified again to be in conformity to GB/T 19001-2016/ISO 9001:2015. This proves that the Group maintains high quality in technology development, sales and after-sales services of DeNox catalysts, building customer confidence.

5.2. Product Responsibility

5.2.1. Product Health and Safety

We are committed to providing healthy and safe products to our customers. In terms of raw material selection, we prioritise the use of non-hazardous raw materials and conduct inspections on raw materials to control the quality of our products. During the production process, we conduct inspections on product appearance and product performance to strictly control the product performance and ensure that it meets the national standards. Meanwhile, to guarantee the safety of our products, we strictly follow the guidelines for product assembly. If the product was deformed during the assembly process, it is strictly prohibited to deliver or sell the deformed products.

5.2.2. Product Labelling

The Group has regulated the product labelling through the *Management Manual*. Information such as the product name, product number and product quality inspection certificate should be displayed on the product label. We regularly verify the authenticity of product labels to prevent misuse of products during delivery. Moreover, each product of the Group possesses a distinctive identification which enables traceability on the source of the product, the responsible person and the distribution of the product. This practice enables that if any problems occur, the Group could inspect the unique product identification to identify the root cause in time and takes appropriate measures to ensure that the products are meeting specified requirements.

5.2.3. Product Research and Development

Upholding innovation as one of our corporate cultures, we strive to develop new products and enhance the production technology of current products so that we can provide high-quality products and services to our customers. We have formulated the *Control Procedure for Design and Development* to strictly control the development and modification of product technology. We have put a series of procedures in place, including evaluation and verification, to ensure that the quality of developing products meets the relevant standard.

At the same time, as a corporate focusing on the research and development of catalysts, the Group actively applies patents for its technological achievements to protect its rights. As at the end of the Reporting Period, the Group had been granted 20 patent certificates, including software registration rights, utility model patents and invention patents. Meanwhile, the Group strictly abides by the *Patent Law of the People's Republic of China*, the *Tort Liability Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*, to safeguard the intellectual property rights and avoid infringement of rights. We also define the intellectual property rights of our product packaging during the product development process to avoid disputes and to protect the rights of intellectual property owners.


实用新型专利证书


实用新型专利证书

The utility model patents obtained by Beijing Denox

5.3. High-quality Service

5.3.1. Customer Service

We continuously improve our service standards and product quality with the hope to develop long-term and stable relationships with our customers. Therefore, we highly value the feedback from our customers and actively communicate with our customers during the sales process. We have established the *Control Procedure of Customer Satisfaction* and the *Control Procedure of Customer-related Process* to regulate communication process with customers throughout our services. Through the above policies, we increase our customer satisfaction by understanding the customer's requirements and opinions on our products and services in a timely manner.

Before sales service	During the sales process	After-sale
• Utilise various communication channels to communicate to understand their needs and expectations determine their requirements	• Provide the corresponding services according to the contract requirements and meet the product requirements • Introducing our products and services to customers, responding to customer inquiries and suggestions in a timely manner	• Collect customers' opinions on product quality, delivery and service by the Customer Satisfaction Survey

In order to systematically handle customer comments and complaints about our services, we have standardised the process of handling complaints about our services. After receiving a customer complaint, the Group documents the complaint in a timely manner and report to the management to conduct investigation on the compliant for detailed reasons. To handle customer complaints in a timely and effective manner, the Group actively negotiates and proposes suitable solutions to customers. Moreover, we learn customers' opinions from the communication process with customers and process of handling customer complaints, thus proposing suggestions for service improvement and continuously enhancing the levels of service quality. During the Reporting Period, the Group had not received any complaints concerning its products and service.

5.3.2. Customers' Privacy Protection

The Group is committed to protecting the customers' privacy during service process. The Group strives to keep proper management of customers' information and ensure information security. The Group has established the *Company Confidentiality Management System (Trial)*, which sets out the responsibility of each department regarding confidential management. The marketing department of the Group has easier and more convenient access to customer information, and thus, the Group has developed specific measures for maintaining information confidentiality for this department, including designating the location for storing customer information, storing documents in locked file cabinets, etc. To further enhance privacy protection, the Group signs confidentiality contracts with its employees and strictly requires them to comply with the Group's measures to protect the privacy of customers and prevent them from leaking customer information.

During the Reporting Period, the Group did not receive any cases concerning the breaches of customer information.

5.3.3. Avoid False Publicity

The Group insists on honest and fair trading and does not tolerate any illegal and fraudulent multi-level marketing activities. The information released from the official channels of the Group must have gone through stringent internal auditing procedure by the management before its publication in order to ensure authenticity and to protect consumers' interests. When we receive a request for internal information from a customer, the responsible department is required to draft the response and sends it to heads of the department. The responsible department is only allowed to reply the customer after getting approval from the heads of the department to ensure that accurate information is provided to customers.

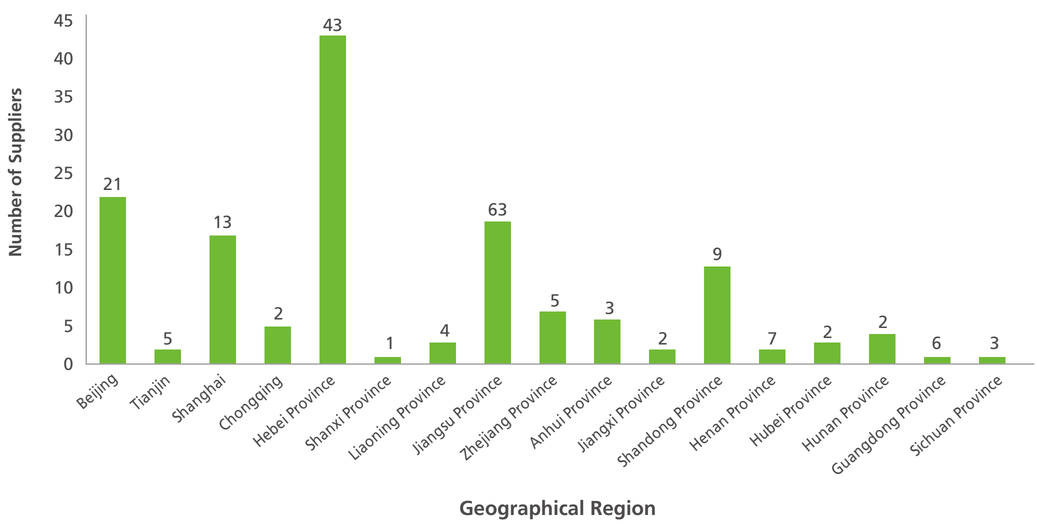
6. Responsible Operation

6.1. Supplier Management

The Group is committed to maintaining close partnerships with its suppliers and aims to create a mutually beneficial and win-win relationship with them. Therefore, the Group attaches great importance to the environmental and social impacts of its suppliers and actively promotes the concept of sustainable development in supply chain.

We have reinforced the management of our suppliers through formulating the *Procurement System for the Procurement Department* and the *Control Procedure for Procurement Process*, which clearly regulates the process of supplier selection and evaluation. Following the regulations set in the above policy, we ensure that the quality of products and services provided by our suppliers meet our internal quality, environmental and social requirements. After market research, we shortlist suppliers according to our procurement requirements. Then, we set up a panel composed of employees from different departments to evaluate and assess the candidates through various methods, such as site visits. The panel rates the shortlisted suppliers' performance against our requirements related to product and service quality, environment and occupational health and safety. The qualified suppliers are included in the *Qualified Supplier Directory*. We only hire the suppliers from the *Qualified Supplier Directory* to ensure all suppliers recruited meeting our requirements. Finally, we select suppliers based on the performance of our candidates. In order to timely update new suppliers' performance and manage procurement risks, we perform annual audit on the suppliers listed in the *Qualified Supplier Directory* to review their qualification. During the Reporting Period, we reviewed a total of 155 suppliers following the abovementioned practice. As of the end of the Reporting Period, the number of our suppliers by geographical region was as follows:

Number of Suppliers by Geographical Region



We proactively control the environmental and social impacts of our supply chain. Therefore, we consider the environmental and social performance of our suppliers as part of our supplier selection criteria and give priority to suppliers with good environmental and social performance. For example, we prefer suppliers whose environmental management systems are certified to be in conformity to ISO 14001, who have no environmental sanction, have obtained emission permits and have environmental protection equipment in good operating condition. We notify our suppliers of the relevant environmental and social requirements in the contract, so that they are aware of and adhere to the environmental and safety standards we have set. If a supplier is found to have a significant environmental and social impacts, we would require the supplier to carry out corrective actions. If the supplier failed to do so, we would terminate our cooperation relationship.

Case Study: Considering Suppliers' Environmental and Safety Performance	
In addition to the usual qualification verification of potential suppliers, Gu'an Denox also verifies whether the environmental and safety performance of potential suppliers meets the Group's standards, including:	
Environmental Indicators for Assessment	**Safety Protection Requirement**
• Synchronisation rate of pollution control facilities and production equipment • Air emissions and wastewater discharge compliance rate and solid waste handling rate • Major environmental pollution incident • Environmental nuisance caused to residents • Substantial violation of environmental-related laws and regulations	• Workability of fire safety provisions • Safety management system for special equipment and corresponding records • Safety management system for electricity consumption and corresponding records • Management system for natural gas and corresponding records • Safety management system for dangerous goods and corresponding records

We have committed to the concept of green procurement, considered environmental factors of our procurement process to reduce the impact of our operations on the environment. During the Reporting Period, Gu'an Denox replaced the conventional lighting fixtures in its production plants with energy-efficient light-emitting diode (LED) bulbs, saving electricity usage. Beijing Denox also employs vehicles that meet the China V vehicle emission standards or above for product transportation, reducing emissions from transportation.

6.2. Anti-corruption

The Group is committed to fostering a corporate culture of integrity and honesty by tackling corruption and practising good corporate governance, and thereby maintaining its good reputation. The Group strictly complies with the laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering that have a significant impact on the Group, including but not limited to the *Criminal Law of the People's Republic of China*, the *Regulations of the People's Republic of China for Suppression of Corruption*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-money Laundering Law of the People's Republic of China*.

The Group has formulated the *Control Procedure for Anti-corruption and Anti-bribery* to actively raise awareness of integrity among our employees and stakeholders. We request the individuals of key positions to sign the *Statement of Undertaking Combating Bribery/Corruption* and require employees to adhere to business ethics of fair and legal. We have further formulated the *Code of Conduct for Procurement Personnel* specialising in setting out the behavioural requirements during the procurement process and prohibiting all employees involving in corruption during the procurement process which is associated with higher risk of corruption. To maintain ethical standards among the Group's business partners, a *Statement of Undertaking Combating Bribery/Corruption for Supplier* shall be signed by suppliers, service providers and contractors who have cooperative relationship with the Group.

The Group encourages its employees and business partners to report corruption and actively protects their rights. The Group established the *Control Procedure for Anti-Corruption and Anti-Bribery* to stipulate the reporting methods of misconduct behaviour, the investigation procedures, and the corresponding handling approaches. If a report is received, the Group shall process the case in accordance with the internal management system upon investigation and verification, and in the event of a commercial bribery offence, the case would be referred to the judiciary.

During the Reporting Period, the Group did not violate any laws and regulations relating to the protection of bribery, extortion, fraud and money laundering that have a significant impact on the Group, nor did it receive any litigation cases against the Group or its employees involving bribery, extortion and money-laundering.

6.3. Caring the Community

We understand that corporate sustainable development is closely linked to community development, and therefore we actively seek opportunities to understand the needs and expectations of the communities. The Group understands that the community is highly concerned about the environmental impacts of the Group's business. Therefore, the Group stipulates the requirements by the *Control Procedure of Environmental Factors Identification and Assessment* to consider the impacts on the communities when identifying the significant environmental impacts of the Group. We would consider whether relevant complaints made by the communities have been received as one of the factors. If feedback from the neighbourhoods was received, the Group would investigate and evaluate the issues mentioned in the feedback actively and provide responses. We ensure that we operate with the best interests of the community in mind by continuously improving our complaints and response mechanism.

Meanwhile, we are devoted to helping the community by sharing the results of our businesses with the community, demonstrating our care for the community. In early 2020, the outbreak of COVID-19 caused significant impacts on the community. Therefore, we took up our social responsibility and went through hard times with community by giving them a helping hand. We conducted regular disinfection in the public area and encouraged our employees to volunteer in the epidemic prevention work of the community.

Case Study: Fight against the Virus with the Community of Wuxi Denox

Wuxi Denox is concerned about the epidemic prevention work of the neighbourhoods and proactively join hands with the community to keep it safe during the epidemic. Wuxi Denox donated RMB five thousand yuan to help Fuan Village to overcome difficult times during the epidemic. To respond to the appeal by the government, Wuxi Denox invited its employees to volunteer to participated in epidemic prevention work, accumulating a total of 20 service hours.

7. Report Content Index

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Environmental		
Aspect A1: Emissions		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	3 Green Operation
KPI A1.1	The types of emissions and respective emissions data.	3.3 Environmental Data
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Environmental Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Environmental Data

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Environmental Data
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3.1 Environmental Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.1 Environmental Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2 Resources Consumption
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.3 Environmental Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3 Environmental Data
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 Resources Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2 Resources Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.3 Environmental Data
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	3.1 Environmental Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.1 Environmental Management

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Social		
Aspect B1: Employment		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. People-oriented
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Employees' Rights and Interests
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Employees' Rights and Interests
Aspect B2: Health and Safety		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3 Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	4.3 Health and Safety
KPI B2.2	Lost days due to work injury.	4.3 Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.3 Health and Safety

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	4.4 Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.4 Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.4 Talent Development
Aspect B4: Labour Standards		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	4 People-oriented
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Employees' Rights and Interests
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Employees' Rights and Interests
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1 Supplier Management
KPI B5.1	Number of suppliers by geographical region.	6.1 Supplier Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	6.1 Supplier Management

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Aspect B6: Product Responsibility		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5 Quality Comes First
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.1 Product Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.3 High Quality Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2 Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	5.1 Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.3 High Quality Service

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Aspect B7: Anti-Corruption		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6.2 Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.2 Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.2 Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.3 Caring the Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.3 Caring the Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.3 Caring the Community

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF 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)

Opinion

We have audited the consolidated financial statements of Denox Environmental & Technology Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 92 to 158, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(continued)*

Impairment of property, plant and equipment and right-of-use assets

Refer to note 17 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amounts of the Group's property, plant and equipment and right-of-use assets were RMB54,808,000 and RMB19,777,000, against which impairment loss of RMB1,532,000 and RMB98,000 were made and charged to the consolidated statement of profit or loss and other comprehensive income for the year, respectively. During the year ended 31 December 2020, the Group continued to suffer delay in realisation of revenue from sale of DeNOx catalysts for diesel-powered vehicle and honey-comb catalysts, indicating that the carrying values of the Group's property, plant and equipment and right-of-use assets as detailed in note 17 may be impaired. The Group engaged an independent external valuer to perform an assessment on impairment of the assets at cash generating unit (the "**CGU**") level. Impairment losses were identified and allocated to the relevant assets including plant and machinery and leased properties. Management applied significant judgement in determining the value in use of the relevant CGUs, of which the key assumptions adopted in the calculation of value in use include: i) sales growth rates and gross profit margin rates within the forecast period; and ii) discount rate. We focused on this area because of the significance of balances of property, plant and equipment and right-of-use assets and management judgement and assumptions applied in the impairment assessment.	Our procedures in relation to the assessment of impairment of property, plant and equipment and right-of-use assets included: • Assessing the reasonableness of management's determination of CGU based on our knowledge of the business including the use of the assets and internal reporting process; • Evaluating the competence, objectivity and capabilities of the independent external valuer; • Assessing the appropriateness of valuation methodology adopted by the valuer having considered the Group's circumstances and relevant accounting standards; and • Involving auditor's valuation experts in assessing the key inputs applied in the valuations and testing the mathematical accuracy of the discounted cash flows model.

Key Audit Matters *(continued)*

Valuation of trade receivables

Refer to note 22 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the Group's trade receivables was RMB32,531,000, net of accumulated impairment loss of RMB3,348,000. The Group performed an assessment on allowance for impairment of trade receivables based on expected credit losses ("**ECL**"), which is estimated by taking into account the credit loss experience and forward-looking information including both current and forecast general economic conditions. We have identified valuation of trade receivables as a key audit matter because the impairment assessment of trade receivables involved a significant degree of management judgement and may be subject to management bias.	Our audit procedures in relation to ECL provision of trade receivables included: • Understanding the ECL model used by the Group; • Evaluating the reasonableness of critical assumptions and methods applied in the ECL model; • Testing subsequent settlements by inspecting supporting documents in relation to cash receipt from debtors subsequent to the end of the current reporting period; and • Evaluating the disclosures regarding the impairment assessment of trade receivables in the consolidated financial statements.

Key Audit Matters *(continued)*

Valuation of inventories

Refer to note 21 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the Group's inventories was RMB90,723,000, net of accumulated impairment loss of RMB5,072,000. Obsolete and slow-moving inventories were identified by management based on ageing analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices and current market conditions. We have identified valuation of inventories as a key audit matter due to the use of significant judgement and estimates by management in identifying obsolete and slow-moving inventories and determining the net realisable value.	Our audit procedures in relation to the valuation of inventories included: • Assessing management estimations and judgement on the assessment of net realisable value of inventories and identification of obsolete and slow-moving items based on their subsequent usage and selling prices subsequent to the end of the reporting period and current market conditions; and • Assessing the net realisable value and utilisation of inventories subsequent to the end of the reporting period and discussed with the management in respect of the adequacy of the allowance made by the management based on subsequent usage and sales, ageing analysis and current market conditions.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2020.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company. ·

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	7	**64,776**	61,540
Cost of sales		**(49,086)**	(54,880)
Gross profit		**15,690**	6,660
Selling and marketing expenses		**(9,039)**	(10,842)
Administrative expenses		**(18,061)**	(34,915)
Research and development expenses		**(6,718)**	(5,087)
(Impairment loss) reversal of impairment loss recognised in respect of trade receivables, net		**(448)**	6,456
Other losses, net	9	**(2,347)**	(1,158)
Share of loss of an associate		**(600)**	–
Finance income	10	**265**	552
Finance costs	10	**(142)**	(51)
Loss before tax		**(21,400)**	(38,385)
Income tax expenses	11	**–**	(656)
Loss for the year	12	**(21,400)**	(39,041)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(3,695)**	1,462
Other comprehensive (expense) income for the year		**(3,695)**	1,462
Total comprehensive expense for the year		**(25,095)**	(37,579)
Loss for the year attributable to:			
– Owners of the Company		**(21,027)**	(40,058)
– Non-controlling interests		**(373)**	1,017
		(21,400)	(39,041)
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(24,722)**	(38,596)
– Non-controlling interests		**(373)**	1,017
		(25,095)	(37,579)
Loss per share	16		
Basic and diluted (RMB per share)		**(0.04)**	(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**54,808**	42,375
Right-of-use assets	18	**19,777**	17,204
Intangible assets	19	**2,857**	3,758
Interest in an associate	20	**–**	–
Long-term prepayments	24	**2,156**	140
Restricted cash	25	**3,219**	–
		82,817	63,477
Current assets			
Inventories	21	**90,723**	59,925
Trade receivables	22	**32,531**	33,255
Financial assets at fair value through other comprehensive income	23	**7,680**	18,714
Prepayments, deposits and other receivables	24	**11,217**	9,190
Pledged bank deposits	25	**3,418**	–
Restricted cash	25	**2,373**	2,118
Cash and cash equivalents	25	**84,967**	125,415
		232,909	248,617
Total assets		**315,726**	312,094
LIABILITIES			
Non-current liabilities			
Lease liabilities	18	**3,281**	535
Deferred tax liabilities	29	**1,291**	1,550
		4,572	2,085
Current liabilities			
Trade payables	26	**12,252**	6,849
Bill payables	26	**3,418**	–
Accruals and other payables	27	**8,018**	10,440
Contract liabilities	28	**43,968**	23,764
Lease liabilities	18	**510**	1,045
Income tax payables		**7,552**	7,380
		75,718	49,478
Total liabilities		**80,290**	51,563
Net assets		**235,436**	260,531

	Note	**2020** **RMB'000**	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**31,423**	31,506
Reserves		**190,024**	214,663
		221,447	246,169
Non-controlling interests		**13,989**	14,362
Total equity		**235,436**	260,531
Total equity and liabilities		**315,726**	312,094

The consolidated financial statements on pages 92 to 158 were approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

Ms. Zhao Shu
Director

Mr. Kong Hongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Attributable to owners of the Company							Non-controlling interests	Total
		Share capital	Treasury stock	Share premium	Capital reserves	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019		31,596	(635)	850,648	(552,410)	33,164	(77,236)	285,127	13,345	298,472
(Loss) profit for the year		–	–	–	–	–	(40,058)	(40,058)	1,017	(39,041)
Other comprehensive income for the year										
Exchange differences arising on translation of financial statements from functional currency to presentation currency		–	–	–	–	1,462	–	1,462	–	1,462
Total comprehensive income (expense) for the year		–	–	–	–	1,462	(40,058)	(38,596)	1,017	(37,579)
Appropriation to statutory reserves	(i)	–	–	–	–	283	(283)	–	–	–
Repurchase of ordinary shares	30	–	(362)	–	–	–	–	(362)	–	(362)
Cancellation of treasury stock	30	(90)	635	(545)	–	–	–	–	–	–
At 31 December 2019		31,506	(362)	850,103	(552,410)	34,909	(117,577)	246,169	14,362	260,531

	Note	Attributable to owners of the Company							Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
At 1 January 2020		31,506	(362)	850,103	(552,410)	34,909	(117,577)	246,169	14,362	260,531
Loss for the year		–	–	–	–	–	(21,027)	(21,027)	(373)	(21,400)
Other comprehensive expense for the year										
Exchange differences arising on translation of financial statements from functional currency to presentation currency		–	–	–	–	(3,695)	–	(3,695)	–	(3,695)
Total comprehensive expense for the year		–	–	–	–	(3,695)	(21,027)	(24,722)	(373)	(25,095)
Appropriation to statutory reserves	(i)	–	–	–	–	69	(69)	–	–	–
Cancellation of treasury stock	30	(83)	362	(279)	–	–	–	–	–	–
At 31 December 2020		31,423	–	849,824	(552,410)	31,283	(138,673)	221,447	13,989	235,436

Note:

(i) In accordance with the respective articles of association and board resolutions, certain subsidiaries operated 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. For the year ended 31 December 2020, RMB69,000 (2019: RMB283,000) was appropriated from retained earnings to the statutory surplus reserve fund.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(21,400)**	(38,385)
Adjustments for:		
Interest income	**(265)**	(552)
Finance costs	**142**	51
Depreciation of property, plant and equipment	**4,943**	5,471
Depreciation of right-of-use assets	**1,248**	921
Amortisation of intangible assets	**901**	2,634
Share of loss of an associate	**600**	–
Write-off of property, plant and equipment	**2,953**	–
Reversal of write-down of inventories	**(23)**	(361)
Impairment loss recognised in respect of property, plant and equipment	**1,532**	9,146
Impairment loss recognised in respect of right-of-use assets	**98**	–
Impairment loss recognised in respect of intangible assets	**–**	5,737
Impairment loss (reversal of impairment loss) recognised in respect of trade receivables, net	**448**	(6,456)
Operating cash flows before movements in working capital	**(8,823)**	(21,794)
Increase in inventories	**(30,775)**	(18,935)
Decrease in trade receivables	**276**	22,918
Decrease (increase) in financial assets at fair value through other comprehensive income	**11,034**	(12,145)
(Increase) decrease in prepayment, deposits and other receivables	**(1,934)**	3,709
Increase in trade payables	**5,403**	3,027
Increase in bill payables	**3,418**	–
Increase in contract liabilities	**20,204**	13,617
Decrease in accruals and other payables	**(1,250)**	(284)
Cash used in operations	**(2,447)**	(9,887)
Income tax paid	**(87)**	(48)
Interest received	**265**	797
NET CASH USED IN OPERATING ACTIVITIES	**(2,269)**	(9,138)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

	2020 **RMB'000**	2019 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(24,282)**	(9,899)
Payments for right-of-use assets	**(1,080)**	(2,573)
Capital injection in an associate	**(600)**	–
Withdrawal of restricted cash	**3,551**	672
Placement of restricted cash	**(7,025)**	–
Placement of pledged bank deposits	**(3,418)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(32,854)**	(11,800)
FINANCING ACTIVITIES		
Repayments of lease liabilities	**(1,508)**	–
Repayments of amount due to non-controlling shareholder of a subsidiary	**–**	(220)
Interest paid	**(142)**	–
Repurchase of ordinary shares	**–**	(362)
NET CASH USED IN FINANCING ACTIVITIES	**(1,650)**	(582)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(36,773)**	(21,520)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**125,415**	145,424
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,675)**	1,511
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**84,967**	125,415

1. GENERAL

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

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in design, development and manufacture of DeNOx catalysts in the People's Republic of China (the "**PRC**"). The ultimate holding company of the Group is Advant Performance Limited, a company incorporated in the British Virgin Islands ("**BVI**") which is wholly-owned by Ms. Zhao Shu (the "**Controlling Shareholder**").

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

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

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

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

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

New and amendments to IFRSs issued but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2023.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (the "**CGU**") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU (or groups of CGU) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGU). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- sales of catalysts
- provision of replacement services

Sales of catalysts

The Group manufactures and sells plate-type DeNOx catalysts to coal-fired 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 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 to the Group when the Group's products are qualified. Sales of plate-type DeNOx catalysts are recognised when control of the goods is transferred to the customers, generally coincides with the time of receipt of the preliminary acceptance certificate.

The Group also manufactures and sells DeNOx catalysts for diesel-powered vehicles and honey-comb catalysts. The Group normally signs the framework agreements with customers on annual basis. Selling price is negotiated and fixed at each purchase order. Revenue from the sale of DeNOx catalysts for diesel-powered vehicle and honey-comb catalysts is recognised at the point in time when control of the catalysts is transferred to customer, which is upon the completed delivery and acceptance of the goods to the customer site.

The Group requires certain customers to provide upfront payments range from 10% to 30% of total contract sum and this has resulted in a contract liability. However, the Group also typically agrees to 1 to 3 years retention period for 10% of the contract value. The rights of receiving this amount becomes unconditional, which is typically at the expiry of the retention period for the provision of assurance by the Group on the quality of products provided by the Group.

Provision of replacement services

The Group is engaged in providing DeNOx catalysts replacement service to the coal-fired power plants and boiler manufacturers in the PRC. Replacement service revenue is recognised when the service is completed.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date of a lease, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee *(continued)*

Lease liabilities *(continued)*

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs and termination benefits

Payments to defined contribution plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately and acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets with finite useful lives that are acquired separately and acquired in a business combination are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Goods in transit refer to finished goods in transit and held at customer's place.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group's financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income ("**FVTOCI**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Amortised cost and effective interest method *(continued)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Finance income" line item (note 10).

Financial assets at FVTOCI (debt instruments)

The Group classifies and measures subsequently its debt instruments at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's debt instruments classified as at FVTOCI includes bill receivables. Fair value is determined in the manner described in note 6. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debts instruments are recognised in other comprehensive income and accumulated under the heading of other reserves. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Significant increase in credit risk *(continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and FVTOCI.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in the accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit ("**CGU**")) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

When measuring fair value except for the Group's leasing transactions and net realisable value of inventories and non-financial assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets were RMB54,808,000 and RMB19,777,000 (2019: RMB42,375,000 and RMB17,204,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in note 17.

Estimated useful life of property, plant and equipment and intangible assets

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment and intangible assets with finite useful life. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment and intangible assets with finite useful life as at 31 December 2020 were RMB54,808,000 and RMB2,857,000 (2019: RMB42,375,000 and RMB3,758,000) respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's credit-loss experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2020, the carrying amount of trade receivables was RMB32,531,000 (2019: RMB33,255,000), net of accumulated impairment loss of RMB3,348,000 (2019: RMB2,900,000).

Estimated allowance for inventories

The management of the Group reviews ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions as well as the historical experience of selling products of similar nature. As at 31 December 2020, the carrying amount of inventories was RMB90,723,000 (2019: RMB59,925,000), net of accumulated allowance for inventories of RMB5,072,000 (2019: RMB5,095,000).

Income taxes

As at 31 December 2020, no deferred tax asset has been recognised on the tax losses of RMB162,977,000 (2019: RMB146,595,000) and deductible temporary differences of RMB61,877,000 (2019: RMB62,088,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material deferred tax assets may arise, which would be recognised in profit or loss for the period in which such item takes place.

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue 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.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**129,393**	163,049
Financial assets at FVTOCI	**7,680**	18,714
Financial liabilities		
Financial liabilities at amortised cost	**22,693**	16,501

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, financial assets at FVTOCI, deposits and other receivables, pledged bank deposits, restricted cash, cash and cash equivalents, trade payables, bill payables and accruals and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Approximately 17% (2019: 1%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale.

Certain trade receivables and bank balances are denominated in currencies other than the functional currencies of the relevant group entities. The carrying amounts of the Group's foreign currencies denominated monetary assets at the end of the reporting period are as follows:

	2020 RMB'000	2019 RMB'000
United States dollars ("**USD**")	**30,282**	22,765
Euro ("**EUR**")	**1,869**	1,217
RMB	**6,896**	6,884
	39,047	30,866

The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to USD, EUR and RMB.

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% (2019: 10%) change in foreign currency rates.

A positive number below indicates an increase in loss where the respective functional currencies strengthen by 10% (2019: 10%) against the relevant foreign currencies. For a 10% (2019: 10%) weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss and the amount below would be negative.

	2020 **RMB'000**	2019 RMB'000
Impact on loss		
USD	**2,545**	2,210
EUR	**159**	127
RMB	**576**	688
	3,280	3,025

Interest rate risk

As the Group has no significant interest-bearing assets (other than cash and cash equivalents, restricted cash and pledged bank deposits, details of which have been disclosed in note 25). As at 31 December 2020, the Group's exposure to interest rate risk is not material.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade receivables, bill receivables at FVTOCI, deposits and other receivables, pledged bank deposits, restricted cash and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered bill receivables at FVTOCI to be low credit risk because they are issued by banks with high credit ratings and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group's exposure to credit risk *(continued)*

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Notes	Internal credit rating	12-month or lifetime ECL	**31 December 2020** Gross carrying amount RMB'000	**31 December 2020** Loss allowance RMB'000	**31 December 2020** Net carrying amount RMB'000	31 December 2019 Gross carrying amount RMB'000	31 December 2019 Loss allowance RMB'000	31 December 2019 Net carrying amount RMB'000
Trade receivables	22	Note	Lifetime ECL (simplified approach)	**35,879**	**3,348**	**32,531**	36,155	2,900	33,255
Financial assets at FVTOCI	23	Performing	12-month ECL	**7,680**	**–**	**7,680**	18,714	–	18,714
Deposits and other receivables	24	Performing	12-month ECL	**2,885**	**–**	**2,885**	2,261	–	2,261
Pledged bank deposits	25	Performing	12-month ECL	**3,418**	**–**	**3,418**	–	–	–
Restricted cash	25	Performing	12-month ECL	**5,592**	**–**	**5,592**	2,118	–	2,118
Cash and cash equivalents	25	Performing	12-month ECL	**84,967**	**–**	**84,967**	125,415	–	125,415

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile is presented based on their past due status in terms of the provision matrix. Note 22 includes further details on the loss allowance for trade receivables.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 96% (2019: 99%) of the total trade receivables as at 31 December 2020.

The Group has concentration of credit risk as 3% (2019: 39%) and 26% (2019: 62%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

Liquidity tables

	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020					
Financial liabilities					
Trade payables	**12,252**	**–**	**–**	**12,252**	**12,252**
Bill payables	**3,418**	**–**	**–**	**3,418**	**3,418**
Accruals and other payables	**7,023**	**–**	**–**	**7,023**	**7,023**
Total	**22,693**	**–**	**–**	**22,693**	**22,693**
Lease liabilities	**700**	**1,318**	**2,279**	**4,297**	**3,791**

	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019					
Financial liabilities					
Trade payables	6,849	–	–	6,849	6,849
Accruals and other payables	9,652	–	–	9,652	9,652
Total	16,501	–	–	16,501	16,501
Lease liabilities	1,146	–	583	1,729	1,580

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	2020			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTOCI				
Bill receivables	**–**	**–**	**7,680**	**7,680**

	2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Bill receivables	–	–	18,714	18,714

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2020 and 2019.

Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of the financial instrument on a recurring basis are set out below:

Financial instrument	Fair value hierarchy	Fair value as at 2020 RMB'000	Fair value as at 2019 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Bill receivables	Level 3	7,680	18,714	Discounted cash flows – By reference to the present value of the expected future cash flows, based on an appropriate discount rate	Discount rate*

* The higher the discount rate, the lower the fair value of bill receivables.

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial assets that are measured at fair value on a recurring basis *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Financial assets at FVTOCI RMB'000
At 1 January 2019	6,569
Received from third parties	86,503
Collection upon expiration/selling of financial assets	(74,358)
At 31 December 2019	18,714
Received from third parties	87,086
Collection upon expiration/selling of financial assets	(98,120)
At 31 December 2020	7,680

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosure are required)

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

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

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

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

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. 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. Accordingly, no analysis of this single operating segment is presented.

8. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations of customers.

	Revenue from external customers	
	2020	2019
	RMB'000	RMB'000
The PRC	**53,542**	60,946
Southeast Asia	**10,642**	594
Europe	**592**	–
Total	**64,776**	61,540

All non-current assets of the Group are located in the PRC.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	RMB'000	RMB'000
Customer A	**10,233**	N/A[1]
Customer B	**8,598**	N/A[1]
Customer C	**7,410**	N/A[1]
Customer D	**N/A[1]**	14,253
Customer E	**N/A[1]**	8,031
Customer F	**N/A[1]**	6,597

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group

9. OTHER LOSSES, NET

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

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

10. FINANCE INCOME/FINANCE COSTS

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

11. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
PRC Enterprise Income Tax:		
Current year	**259**	917
	259	917
Deferred taxation (note 29):		
Current year	**(259)**	(261)
	–	656

11. INCOME TAX EXPENSES *(continued)*

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

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

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

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiaries, Beijing Denox Environmental & Technology Co., Ltd ("**Beijing Denox**") and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd ("**Gu'an Denox**"), were accredited as high-tech enterprises. They are entitled to the preferential tax rate of 15% for both years.

The income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **RMB'000**	2019 RMB'000
Loss before tax	**(21,400)**	(38,385)
Tax at the domestic income tax rate of 25% (2019: 25%)	**(5,350)**	(9,596)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**859**	1,341
Effect of preferential tax rate in the PRC	**1,273**	3,433
Tax effect of expenses not deductible for tax purpose	**283**	162
Tax effect of tax losses not recognised	**2,694**	4,815
Utilisation of deductible temporary differences previously not recognised	**(22)**	(2,294)
Tax effect of deductible temporary differences not recognised	**263**	2,795
Income tax expenses for the year	**–**	656

Details of deferred taxation are set out in note 29.

12. LOSS FOR THE YEAR

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

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020					
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings					
Executive directors:					
Ms. Zhao Shu (Chief executive)	–	202	36	47	285
Mr. Kong Hongjun	–	172	36	47	255
Mr. Li Ke	–	171	36	47	254
Non-executive directors					
Mr. Li Xingwu	–	–	–	–	–
Mr. Teo Yi-Dar	–	–	–	–	–
Independent non-executive directors					
Ms. Chan Yeuk Wa (note i)	–	53	–	–	53
Mr. Ong Chor Wei	–	107	–	–	107
Mr. Li Min	–	107	–	–	107
Mr. Lam Yiu Por (note ii)	–	53	–	–	53
	–	865	108	141	1,114

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019					
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings					
Executive directors:					
Ms. Zhao Shu (Chief executive)	–	238	36	53	327
Mr. Kong Hongjun	–	199	36	53	288
Mr. Li Ke	–	200	36	53	289
Non-executive directors					
Mr. Li Xingwu	–	–	–	–	–
Mr. Teo Yi-Dar	–	–	–	–	–
Independent non-executive directors					
Mr. Lam Yiu Por (note ii)	–	106	–	–	106
Mr. Ong Chor Wei	–	106	–	–	106
Mr. Li Min	–	106	–	–	106
	–	955	108	159	1,222

Notes:

(i) Appointed on 30 June 2020

(ii) Resigned on 30 June 2020

Ms. Zhao Shu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

During the years ended 31 December 2020 and 2019, neither the chief executive nor any of the directors waived or agreed to waive any emoluments. No emoluments were paid or payable by the Group to the chief executive or any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

The discretionary bonus is determined by reference to the Group's and the individuals' performance.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2019: three) was director and the chief executive of the Company whose emolument is included in the disclosures in note 13 above. The emoluments of the remaining four (2019: two) individuals were as follows:

	2020 RMB'000	2019 RMB'000
Salaries and allowances	**1,279**	1,262
Discretionary bonus	**109**	126
Retirement benefits scheme contributions	**64**	85
	1,452	1,473

Their emoluments were within the following bands:

	2020 No. of employees	2019 No. of employees
Nil to HK$1,000,000 (approximately Nil to RMB889,000)	**4**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB889,001 to RMB1,334,000)	**–**	1

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

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

16. LOSS PER SHARE

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

	2020 **RMB'000**	2019 RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(21,027)**	(40,058)

	Number of shares '000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**494,037**	495,303

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

17. 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
Cost							
At 1 January 2019	39,153	47,694	1,603	1,773	423	12,596	103,242
Additions	525	5,097	111	93	–	3,341	9,167
Transfer from CIP	–	11,381	–	–	–	(15,434)	(4,053)
At 31 December 2019 and 1 January 2020	39,678	64,172	1,714	1,866	423	503	108,356
Additions	–	18,825	106	67	2,311	552	21,861
Write-off	(4,522)	(6,368)	–	(327)	(423)	–	(11,640)
Transfer from CIP	–	503	–	–	–	(503)	–
At 31 December 2020	35,156	77,132	1,820	1,606	2,311	552	118,577
Accumulated depreciation and impairment							
At 1 January 2019	9,610	38,717	1,297	1,337	403	4,053	55,417
Depreciation provided for the year	2,268	2,863	81	259	–	–	5,471
Impairment loss recognised in profit or loss	–	9,146	–	–	–	–	9,146
Transfer from CIP	–	–	–	–	–	(4,053)	(4,053)
At 31 December 2019 and 1 January 2020	11,878	50,726	1,378	1,596	403	–	65,981
Depreciation provided for the year	2,182	2,390	98	143	130	–	4,943
Eliminated on write-off	(2,858)	(5,116)	–	(311)	(402)	–	(8,687)
Impairment loss recognised in profit or loss	464	1,023	9	3	33	–	1,532
At 31 December 2020	11,666	49,023	1,485	1,431	164	–	63,769
Carrying amounts							
At 31 December 2020	23,490	28,109	335	175	2,147	552	54,808
At 31 December 2019	27,800	13,446	336	270	20	503	42,375

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than CIP, are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

As at 31 December 2020, the Group is in the progress of applying for registration of the ownership certificates for certain of its buildings with carrying amounts of RMB5,356,000 (2019: RMB5,947,000). In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets and the ownership of the buildings to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

In view of the continued delay in realisation of revenue from sale of DeNOx catalysts for diesel-powered vehicle (the "**Vehicle CGU**") and honey-comb DeNOx catalysts (the "**Honey-comb CGU**") (formerly known as the "Vessel CGU") during the year ended 31 December 2020 and 2019, the directors of the Company have conducted a review of the property, plant and equipment, right-of-use assets and intangible assets included in the CGUs of the Group. The recoverable amount of the two CGUs are determined based on value in use calculation performed by Beijing Strait Assets Appraisal Co., Ltd. (2019: N/A), an independent qualified professional valuer not connected with the Group as at 31 December 2020.

Accordingly, impairment losses of approximately RMB1,532,000 (2019: RMB9,146,000), RMB98,000 (2019: nil) and nil (2019: RMB5,737,000) have been recognised in respect of these property, plant and equipment, right-of-use assets and intangible assets respectively during the year ended 31 December 2020. The recoverable amounts of the CGUs have been determined on the basis of its value in use using cashflow projection provided by the directors of the Company. The pre-tax discount rate applied in measuring the amounts of value in use was 14.68% (2019: 16.98% to 20.25%).

18. LEASES

(i) Right-of-use assets

	2020 **RMB'000**	2019 RMB'000
Land	**14,632**	14,984
Properties	**5,100**	2,140
Vehicles	**45**	80
	19,777	17,204

Right-of-use assets of RMB14,632,000 (2019: RMB14,984,000) represents land use rights located in the PRC.

The Group has lease arrangements for properties including offices and warehouse and vehicles. The lease terms are generally ranged from two to six years. None of these leases include variable lease payments.

Extension options are included in the lease of properties. Certain periods covered by extension options were included in these lease terms as the Group was reasonably certain to exercise the option.

Due to new lease of warehouse, addition to the right-of-use assets for the year ended 31 December 2020 amounted to RMB3,919,000, of which advance payment of RMB200,000 was made and lease liabilities of RMB3,719,000 was recognised.

During the year ended 31 December 2020, an impairment loss of RMB98,000 (2019: nil) was recognised in the profit or loss. Details of the impairment assessment are set out in note 17.

(ii) Lease liabilities

	2020 **RMB'000**	2019 RMB'000
Non-current	**3,281**	535
Current	**510**	1,045
	3,791	1,580

18. LEASES *(continued)*

(ii) Lease liabilities *(continued)*

	2020 RMB'000	2019 RMB'000
Amounts payable under lease liabilities		
Within one year	**510**	1,045
After one year but within two years	**1,156**	–
After two years but within five years	**2,125**	535
	3,791	1,580
Less: amount due for settlement within 12 months (shown under current liabilities)	**(510)**	(1,045)
Amount due for settlement after 12 months	**3,281**	535

During the year ended 31 December 2020, the Group entered into a new lease agreement in respect of renting warehouse and recognised lease liabilities of RMB3,719,000.

(iii) Amounts recognised in profit or loss

	2020 RMB'000	2019 RMB'000
Depreciation expense on right-of-use assets		
– Land	**352**	350
– Properties	**861**	535
– Vehicles	**35**	36
Interest expenses on lease liabilities	**138**	51
Expense relating to short-term leases	**190**	215

(iv) Others

At 31 December 2020, the Group is committed to RMB4,776,000 (2019: nil) for lease agreement not yet commenced.

During the year ended 31 December 2020, the total cash outflow for leases amount to RMB2,916,000 (2019: RMB2,788,000).

19. INTANGIBLE ASSETS

	Goodwill RMB'000	Patent rights RMB'000	Technical know-how RMB'000	Software RMB'000	Total RMB'000
Cost					
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	7,262	8,124	31,640	7	47,033
Accumulated amortisation and impairment					
At 1 January 2019	7,262	7,988	19,651	3	34,904
Charge for the year	–	124	2,509	1	2,634
Impairment loss recognised during the year	–	–	5,737	–	5,737
At 31 December 2019 and 1 January 2020	7,262	8,112	27,897	4	43,275
Charge for the year	–	12	888	1	901
At 31 December 2020	7,262	8,124	28,785	5	44,176
Carrying amounts					
At 31 December 2020	–	–	2,855	2	2,857
At 31 December 2019	–	12	3,743	3	3,758

The amount of goodwill was fully impaired in prior years as the recoverable amount was less than its carrying amount.

Patent rights, technical know-how and software are amortised on a straight-line basis over 7 to 10 years.

During the year ended 31 December 2019, an impairment loss of RMB5,737,000 (2020: nil) was recognised in the profit or loss. Details of the impairment assessment are set out in note 17.

20. INTEREST IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Cost of investment in an associate – unlisted	**600**	–
Share of post-acquisition losses and other comprehensive income	**(600)**	–
	–	–

As at 31 December 2020 and 2019, the Group had interest in the following associate:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interest/voting power held by the Group 2020	2019	Principal activity
廊坊迪諾思環保科技有限公司 Langfang Denox Environmental & Technology Co., Ltd.* ("**Langfang Denox**") (note)	Company with limited liability	The PRC	Registered capital	40%	–	Inactive

* The English name is for identification purposes only.

Note: During the year ended 31 December 2020, the Group contributed an amount of RMB600,000 to Langfang Denox and holds 40% equity interest in Langfang Denox.

The financial information of the associate is immaterial to the Group.

21. INVENTORIES

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

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

22. TRADE RECEIVABLES

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

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

Included in trade receivables, amount of RMB9,047,000 (2019: RMB8,119,000) represented the receivables under retention periods.

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

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

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

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

22. TRADE RECEIVABLES *(continued)*

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

As at 31 December 2020	Gross carrying amount RMB'000
Within 1 year	**17,097**
1 year to 2 years	**12,654**
2 years to 3 years	**4,783**
Over 3 years	**1,345**
	35,879

As at 31 December 2019	Gross carrying amount RMB'000
Within 1 year	23,472
1 year to 2 years	9,378
2 years to 3 years	2,657
Over 3 years	648
	36,155

The weighted average expected loss rate is 9.33% (2019: 8.02%).

The movement in the allowance for impairment of trade receivables is set out below:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**2,900**	9,356
Impairment losses recognised	**448**	1,826
Impairment losses reversed	**–**	(8,282)
At the end of the year	**3,348**	2,900

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Bill receivables	**7,680**	18,714

The fair value of bill receivables is disclosed in note 6.

As at 31 December 2020 and 2019, financial assets at FVTOCI represented bill receivables 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.

All financial assets at FVTOCI are aged within 365 days (2019: 365 days).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Value-added tax recoverable	**6,192**	6,263
Deposits	**1,052**	1,287
Prepayments	**4,296**	806
Other receivables (note)	**1,833**	974
	13,373	9,330
Less: prepayments classified as non-current assets	**(2,156)**	(140)
Current portion included in prepayments, deposits and other receivables	**11,217**	9,190

Note: As at 31 December 2020, included in other receivables of RMB65,000 (2019: RMB163,000) and RMB201,000 (2019: RMB200,000) are due from directors and non-controlling shareholders of the Group. The amounts are unsecured, non-interest bearing and repayable on demand.

25. PLEDGED BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS

Pledged bank deposits

Pledged bank deposits amounting to RMB3,418,000 (2019: nil) have been pledged to secure bill payables and are therefore classified as current assets. The pledged bank deposits carried interest rate of 0.3% (2019: N/A) per annum as at 31 December 2020.

Restricted cash

Restricted cash are held as guarantee for bidding, product quality and performance of the Group's products. The guarantee period is ranged from one to two years. Restricted cash amounting to RMB3,219,000 (2019: nil) is with guarantee period more than one year from the end of the reporting period and therefore classified as non-current assets. The restricted cash carried interest rate of 0.3% (2019: 0.3%) per annum as at 31 December 2020.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Cash at bank carried interest rates ranging from 0.1% to 0.35% (2019: 0.1% to 0.35%) per annum as at 31 December 2020.

Pledged bank deposits, restricted cash and cash and cash equivalents are denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000
RMB	**33,246**	70,112
HK$	**29,809**	34,463
USD	**29,272**	21,921
EUR	**1,650**	1,037
	93,977	127,533

26. TRADE AND BILL PAYABLES

	2020 **RMB'000**	2019 RMB'000
Trade payables	**12,252**	6,849
Bill payables	**3,418**	–
	15,670	6,849

26. TRADE AND BILL PAYABLES *(continued)*

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

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

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

27. ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Payables for purchases of property, plant and equipment	**1,585**	2,785
Accrued payroll and welfare	**4,033**	3,683
Warranty provision	**707**	653
Amount due to non-controlling shareholder of a subsidiary (note)	**610**	610
Other payables and accruals	**1,083**	2,709
	8,018	10,440

Note: The amount is unsecured, non-interest bearing and repayable on demand.

28. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Advances received to deliver goods	**43,968**	23,764

Receipts in advance are mainly from sales of plate-type DeNOx catalysts. In general, the Group receives certain percentage of the contract sum as advance payment from the customers upon signing of the sales contracts.

28. CONTRACT LIABILITIES *(continued)*

The significant changes in contract liabilities in 2020 were mainly due to more sales contracts were entered and payment received from customers near the end of the reporting period.

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities at the beginning of the year is RMB6,614,000 (2019: RMB6,850,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

29. DEFERRED TAXATION

	2020 RMB'000	2019 RMB'000
Deferred tax liabilities	**1,291**	1,550

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustments resulting from acquisition of a subsidiary RMB'000
At 1 January 2019	1,811
Credited to profit or loss (note 11)	(261)
At 31 December 2019	1,550
Credited to profit or loss (note 11)	(259)
At 31 December 2020	1,291

As at 31 December 2020, the Group has unused tax losses of RMB162,977,000 (2019: RMB146,595,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB156,806,000 (2019: RMB140,027,000) that will be expired within ten years. Other losses may be carried forward indefinitely.

As at 31 December 2020, the Group has deductible temporary differences of RMB61,877,000 (2019: RMB62,088,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

30. SHARE CAPITAL

	Number of shares '000	Share capital USD'000
Ordinary shares of USD0.01 each		
Authorised		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000	50,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid		
At 1 January 2019	496,758	31,596
Shares cancelled (note i)	(1,409)	(90)
At 31 December 2019 and 1 January 2020	495,349	31,506
Shares cancelled (note ii)	(1,312)	(83)
At 31 December 2020	494,037	31,423

Notes:

(i) During the year ended 31 December 2018, the Company repurchased in aggregate 4,651,000 ordinary shares on The Stock Exchange of Hong Kong Limited, out of which 3,242,000 repurchased ordinary shares had been cancelled and the remaining 1,409,000 repurchased ordinary shares were recorded as treasury stock as at 31 December 2018 and were cancelled and deducted from share capital and share premium in 2019.

(ii) In December 2019, the Company repurchased in aggregate 1,312,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was HK$402,000 (equivalent to approximately RMB362,000). These shares had not been cancelled in 2019, and were recorded as treasury stock as at 31 December 2019. During the year ended 31 December 2020, the 1,312,000 treasury shares were cancelled and deducted from share capital and share premium.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group entered into a new arrangement in respect of warehouse. At the commencement of leases, the Group recognised right-of-use assets and lease liabilities of RMB3,719,000 which represents the present value of the lease payments that are not paid at that date.

32. CAPITAL COMMITMENTS

	2020 **RMB'000**	2019 RMB'000
Commitment to contribute capital to an associate (note i)	**1,400**	2,000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**1,963**	–

Note:

(i) In February 2019, Gu'an Denox, a subsidiary of the Company, and two third party individuals established Langfang Denox, a company planned to engage in development and manufacture of DeNOx catalysts for vehicles, in which the Group will make a capital contribution of RMB2,000,000 and hold 40% of its total interests. During the year ended 31 December 2020, the Group contributed an amount of RMB600,000 to Langfang Denox. No operation activities had been carried out in this associate in 2019 and 2020.

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB1,334,000 (2019: RMB2,243,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2020.

34. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholder of the Group in which the Group agreed to dispose the Group's entire 51% equity interest of a subsidiary, Wuxi Denox Environmental & Technology Co., Ltd ("**Wuxi Denox**"), with the cash consideration of RMB15,400,000. The disposal is not completed at the date of these consolidated financial statements.

35. RELATED PARTY TRANSACTIONS

(a) The following companies and persons are related parties of the Group during the years ended 31 December 2020 and 2019:

Name of related party	Nature of relationship
Mr. Chen Qizhao	Close family member of the Controlling Shareholder
Zhongyu Environmental Engineering (Beijing) Co., Ltd ("**Zhongyu Environmental**")	Controlled by a director of the Company
Mr. Chen Zhengfang	Non-controlling shareholder of Wuxi Denox

(b) Transactions with related parties

(i) In prior year, the Group has entered into a five-year lease in respect of a property from Mr. Chen Qizhao. The amount of rent payable by the Group under the lease is RMB313,000 per year. As at 31 December 2020, the carrying amount of such lease liabilities is RMB260,000. During the year ended 31 December 2020, the Group has made lease payment of RMB626,000 to the Mr. Chen Qizhao.

(ii) In prior year, the Group has entered into a five-year lease in respect of a property from Zhongyu Environmental. The amount of rent payable by the Group under the lease is RMB44,000 per year. As at 31 December 2020, the carrying amount of such lease liabilities is nil (2019: RMB44,000). During the year ended 31 December 2020, the Group has made lease payment of RMB44,000 to Zhongyu Environmental.

(iii) Included in other payables, Mr. Chen Zhengfang advanced a shareholder loan to the Group with the amount of RMB610,000 (2019: RMB610,000) as at 31 December 2020. The amounts are unsecured, non-interest bearing and repayable on demand.

35. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the year was as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and allowances	**1,205**	2,217
Discretionary bonus	**179**	234
Retirement benefits scheme contributions	**224**	244
	1,608	2,695

The remuneration of the directors of the Company and key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1/1/2020 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	New lease arrangement RMB'000	31/12/2020 RMB'000
Amount due to non-controlling shareholder of a subsidiary (note 27)	610	–	–	–	610
Lease liabilities (note 18)	1,580	(1,646)	138	3,719	3,791
Interest payable	–	(4)	4	–	–
	2,190	(1,650)	142	3,719	4,401

			Non-cash change	
	1/1/2019 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	31/12/2019 RMB'000
Amount due to non-controlling shareholder of a subsidiary (note 27)	830	(220)	–	610
Lease liabilities (note 18)	1,529	–	51	1,580
	2,359	(220)	51	2,190

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**–**	–
Amount due from a subsidiary	(a)	**181,620**	191,755
		181,620	191,755
Current assets			
Prepayments, deposits and other receivables		**130**	75
Cash and cash equivalents		**54,677**	62,031
		54,807	62,106
Total assets		**236,427**	253,861
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**31,423**	31,506
Reserves	(b)	**192,558**	210,101
Total equity		**223,981**	241,607
LIABILITIES			
Current liabilities			
Accruals and other payables		**518**	396
Amount due to subsidiaries	(a)	**11,928**	11,858
Total liabilities		**12,446**	12,254
Total equity and liabilities		**236,427**	253,861

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) The amounts are unsecured, non-interest bearing and not expected to repay within one year.

(b) Movements in reserves

	Treasury stock RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2019	(635)	850,648	(577,507)	38,006	310,512
Loss for the year	–	–	(108,348)	–	(108,348)
Exchange differences arising on translation of financial statements	–	–	–	8,209	8,209
Repurchase of ordinary shares	(362)	–	–	–	(362)
Cancellation of treasury stock	635	(545)	–	–	90
At 31 December 2019	(362)	850,103	(685,855)	46,215	210,101
Loss for the year	–	–	(3,195)	–	(3,195)
Exchange differences arising on translation of financial statements	–	–	–	(14,431)	(14,431)
Cancellation of treasury stock	362	(279)	–	–	83
At 31 December 2020	–	849,824	(689,050)	31,784	192,558

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2020	2019	2020	2019	2020	2019	
				%	%	%	%	%	%	
Denox Investments Holdings Limited	The BVI	Ordinary share	USD1/USD1	**100**	100	**–**	–	**100**	100	Investment holding
Denox Environmental & Technology (HK) Investments Co., Ltd	Hong Kong	Ordinary share	HK$1/HK$1	**–**	–	**100**	100	**100**	100	Investment holding
Beijing Denox#	The PRC	Registered capital	RMB250,000,000/ RMB270,000,000 (2019: RMB250,000,000/ RMB250,000,000)	**–**	–	**100**	100	**100**	100	Plate-type DeNOx catalysts design, distribution and selling
Gu'an Denox*	The PRC	Registered capital	RMB15,000,000/ RMB15,000,000	**–**	–	**100**	100	**100**	100	Plate-type DeNOx catalysts production
Wuxi Denox*	The PRC	Registered capital	RMB10,500,000/ RMB26,000,000	**–**	–	**51**	51	**51**	51	Stainless steel mesh production

Being wholly foreign owned enterprise established in the PRC.

* Being registered as a limited liability company under the PRC law.

None of the subsidiaries have non-controlling interests that are material to the Group.

None of the subsidiaries had issued any debt securities at the end of both years or at any time during both years.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	69,780	48,351	54,436	61,540	**64,776**
Gross (loss)/profit	(23,337)	(13,392)	(3,847)	6,660	**15,690**
Operating loss	(57,354)	(71,327)	(43,036)	(38,886)	**(21,523)**
Loss before income tax	(59,313)	(73,567)	(39,217)	(38,385)	**(21,400)**
Loss for the year attributable to owners of the Company	(60,416)	(72,999)	(39,716)	(40,058)	**(21,027)**

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	456,337	375,930	335,782	312,094	**315,726**
Total liabilities	41,212	40,613	37,310	51,563	**80,290**
Total equity	415,125	335,317	298,472	260,531	**235,436**

GLOSSARY

"Articles of Association"	the memorandum and articles of association of the Company (as amended, supplemented or otherwise modified from time to time)
"CG Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
"China" or the "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this annual report, references in this annual report to China and the PRC exclude Taiwan, Macau Special Administrative Region and Hong Kong Special Administrative Region
"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
"Listing Date"	12 November 2015, being the date on which dealing in the Shares first commenced on the main board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"plate-type DeNOx catalyst"	a plate-type DeNOx catalyst takes metal as the carrier. Surface coating is composed of active ingredient
"Reporting Period"	the year ended 31 December 2020
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shares"	the shares of the Company
"Shareholders"	the holder of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited