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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "**Board**") of Denox Environmental & Technology Holdings Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**149,604**	217,142
Cost of sales	*4*	**(100,860)**	(110,729)
Gross profit		**48,744**	106,413
Selling and marketing expenses	*4*	**(3,701)**	(7,849)
Administrative expenses	*4*	**(55,051)**	(12,870)
Other gains – net	*5*	**2,460**	189
Operating (loss)/profit		**(7,548)**	85,883
Finance income	*6*	**2,692**	277
Finance costs	*6*	**(3,823)**	(8)
Finance (costs)/income – net		**(1,131)**	269
Fair value gain of series A convertible redeemable preferred shares	*7*	**39,892**	–
Profit before income tax		**31,213**	86,152
Income tax expenses	*8*	**(5,667)**	(12,617)
Profit for the year, all attributable to shareholders of the Company		**25,546**	73,535
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**282**	207
Other comprehensive income for the year		**282**	207
Total comprehensive income for the year, all attributable to shareholders of the Company		**25,828**	73,742
Earnings/(losses) per share (expressed in RMB per share)	*9*		
Basic earnings per share		**0.08**	0.24
Diluted (losses)/earnings per share		**(0.04)**	0.24

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

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

	Notes	**2015**	2014
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**2,090**	1,900
Total non-current liabilities		**2,090**	1,900
Current liabilities			
Trade payables	*14*	**6,435**	9,018
Advances from customers		**8,861**	64,516
Accruals and other payables		**19,516**	20,988
Amount due to related parties		**–**	52,947
Current income tax liabilities		**8,133**	13,464
Total current liabilities		**42,945**	160,933
Total liabilities		**45,035**	162,833
Total equity and liabilities		**494,365**	243,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

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

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

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

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

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

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

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

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

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

– IFRS 14, 'Regulatory Deferral Accounts'
– Amendment to IFRS 11 'Accounting for acquisitions of interests in joint operations'
– Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation'
– Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants'
– Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'
– Amendment to IAS 27 'Equity method in separate financial statements'
– Amendments from annual improvements to IFRSs – 2012-2014 Cycle, on IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: Disclosures', IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'
– Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'
– Amendments to IAS 1 'Disclosure initiative'
– IFRS 15, 'Revenue from contracts with customers'
– IFRS 9, 'Financial Instruments'
– IFRS16 'Leases'

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

3. REVENUE

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

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

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

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

4. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**35,493**	6,606
Raw materials consumed and consumable used	**45,333**	87,592
Listing expenses	**28,010**	1,649
Employee benefit expenses (including share-based compensation expenses)	**19,557**	9,074
Inventory write-down *(Note 11)*	**7,450**	–
Depreciation, amortisation and impairment charges	**6,442**	7,240
Utilities charges and office expenses	**2,918**	3,326
Consulting service fees	**2,059**	2,102
Travelling, communication and entertainment expenses	**2,090**	1,342
Provision for impairment of receivables *(Note 12)*	**1,949**	–
Research and development expenses	**1,900**	1,429
Auditors' remuneration		
– Audit services	**1,640**	76
– Non-audit services	**10**	–
Stamp duty, property tax and other surcharges	**1,465**	2,657
Transportation and warehouse expense	**1,147**	4,250
Operating lease rentals	**546**	569
Professional fees	**605**	346
Bidding service expenses	**251**	360
Conference fee	**78**	1,363
Warranty (reversal)/provision	**(216)**	453
Others	**885**	1,014
	159,612	131,448

5. OTHER GAINS- NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Government grants *(a)*	**2,110**	650
Interest income *(Note 13(a))*	**45**	–
Foreign exchange gains/(losses), net	**303**	(205)
Loss on disposal of property, plant and equipment	**–**	(256)
Others	**2**	–
	2,460	189

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

6. FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
Interest income on cash and cash equivalents and restricted cash	**272**	277
Net foreign exchange gains on financing activities	**2,420**	–
	2,692	277
Finance costs		
Issuance costs for series A convertible redeemable preferred shares *(Note 7)*	**(3,823)**	–
Interest expense on bank borrowings	**–**	(8)
	(3,823)	(8)
Finance (costs)/income – net	**(1,131)**	269

7. SERIES A CONVERTIBLE REDEEMABLE PREFERRED SHARES

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

On 12 November 2015, all series A convertible redeemable preferred shares of the Company had been converted into ordinary shares of the Company upon its initial public offering ("**IPO**").

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

(i) Liquidation

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

(ii) Redemption

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

(iii) Conversion

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

(iv) Dividend

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

(v) Voting

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

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

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

Transaction costs of RMB3,823,000 directly attributable to the issuance of series A convertible redeemable preferred shares were recognized as finance costs in the consolidated statement of comprehensive income *(Note 6)*.

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

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

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

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

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

8. INCOME TAX EXPENSES

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

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

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

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

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

(c) PRC corporate income tax

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

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

(d) PRC withholding income tax

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

9. EARNINGS PER SHARE

(a) Basic

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

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

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

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

(b) Diluted

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

For the year ended 31 December 2015, the Group has only one category of dilutive potential ordinary shares, which is series A convertible redeemable preferred shares and these shares were converted into ordinary shares on 12 November 2015, upon the Company's IPO as mentioned in Note 7. The series A convertible redeemable preferred shares are assumed to have been converted into ordinary shares from the issuance date to the conversion date, and the net profit is adjusted to eliminate the fair value change in the liability component.

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

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

10. DIVIDENDS

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

11. INVENTORIES

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

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

12. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement *(Note 4)*. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

13. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

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

14. TRADE PAYABLES

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

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

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

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

BUSINESS REVIEW

Industry analysis

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

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

Sales and Marketing

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

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

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

2. Greater efforts in after-sales and customer services

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

3. Greater efforts in overseas sales

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

Production management

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

Research and development in the technology

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

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

Prospects

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

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

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

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

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

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

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

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

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

5. Management of holding companies

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

Financial Review

Revenue

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

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

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

Cost of sales

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

Gross Profit and gross profit margin

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

Selling and marketing expenses

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

Administrative expenses

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

Other gains – Net

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

Finance (costs)/income (Net)

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

Income tax expense

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

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

Profit attributable to the shareholders of the Company and net profit margin

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

Other performance indictors

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

	As at or for the year ended 31 December	
	2015	2014
Current Ratio *(Note 1)*	**9.9 times**	1.1 times
Quick Ratio *(Note 2)*	**8.8 times**	0.5 time
Return on equity *(Note 3)*	**9.6%**	98.2%
Return on total assets *(Note 4)*	**6.92%**	31.8%

Notes:

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

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

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

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

Current ratio and quick ratio

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

Return on equity

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

Return on total assets

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

Liquidity and Capital Resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 31 December 2015, the Group had net current assets of approximately RMB383.4 million (2014: approximately RMB14.9 million) of which cash and cash equivalents were approximately RMB229.4 million (2014: approximately RMB45.3 million) and were denominated in RMB, US$ and HK$ as at 31 December 2015.

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

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

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

Use of net proceeds from the Listing

As at 31 December 2015, net proceeds not utilised of approximately RMB169.6 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the Prospectus.

	Planned Amount	Amount utilised up to 31 December 2015	Balance as at 31 December 2015
	RMB' million	*RMB' million*	*RMB' million*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	–	78.6
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	–	46.2
Research and development	17.1	0.3	16.8
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as in Europe	6.9	–	6.9
Replacement of the Group's No. 1 production line	5.1	0.1	5.0
Working capital and general corporate purposes	17.1	–	17.1
	171.0	0.4	169.6

Borrowings

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

Pledge assets

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

Capital expenditure and commitments

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

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

Contingent liabilities

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

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

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

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

Important events affecting the Group after the reporting period

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

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

Employees

As at 31 December 2015, the Group had 119 employees (2014: 118). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the directors, senior management and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Further information of such share option scheme will be available in the annual report of the Company. The Group's growth is dependent upon the skills and dedication of employees. The Group recognises the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

FINAL DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the forthcoming annual general meeting to be held on Friday, 3 June 2016 (the "**Annual General Meeting**"), the register of members of the Company will be closed from 1 June 2016 to 3 June 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 31 May 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

As the Shares were initially listed on the Main Board of the Stock Exchange on 12 November 2015 (the "**Listing Date**"), the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period from 1 January 2015 to 11 November 2015. During the period from the Listing Date to 31 December 2015, the Company has complied with the applicable code provisions of the CG Code with the exception of code provision A.2.1 as set out below.

According to code provision A.2.1 of the CG Code, the role of the chairman and chief executive of the Company should be separate and should not be performed by the same individual. In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Ms. Zhao Shu, who is also the chairlady of the Company; and (b) Ms. Zhao Shu is chairlady of the Group and has extensive experience in the business operation and management in general, there is no separation of the roles of the chairlady and the chief executive officer of the Company. Given the current stage of the development of the Group, the Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company.

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

REVIEW BY AUDIT COMMITTEE

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF 2015 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.china-denox.com) and the Stock Exchange's website (www.hkexnews.com.hk). The Company's 2015 Annual Report and notice of the Annual General Meeting will be made available on the websites of the Company and Stock Exchange and will be despatched to the Shareholders in due course.

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

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Ms. Zhao Shu, Mr. Kong Hongjun and Mr. Li Ke as executive Directors; Mr. Li Xingwu and Mr. Teo Yi-Dar as non-executive Directors; and Mr. Li Junhua, Mr. Lam Yiu Por and Mr. Ong Chor Wei as independent non-executive Directors.