DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED
迪諾斯環保科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "**Board**") of Denox Environmental & Technology Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016 together with comparative figures for the corresponding period of 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**29,881**	105,783
Cost of sales	*5*	**(35,343)**	(69,138)
Gross (loss)/profit		**(5,462)**	36,645
Selling and marketing expenses	*5*	**(2,263)**	(2,039)
Administrative expenses	*5*	**(8,016)**	(31,383)
Other gains – net	*6*	**2,909**	211
Operating (loss)/profit		**(12,832)**	3,434
Finance income	*7*	**317**	50
Finance costs	*7*	**(704)**	(3,864)
Finance costs – net		**(387)**	(3,814)
Fair value loss of series A convertible redeemable preferred shares		**–**	(12,245)
Loss before income tax		**(13,219)**	(12,625)
Income tax benefits/(expenses)	*8*	**2,863**	(4,677)
Loss for the period		**(10,356)**	(17,302)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**4,019**	52
Other comprehensive income for the period		**4,019**	52
Total comprehensive loss for the period		**(6,337)**	(17,250)
Loss attributable to:			
– Shareholders of the Company		**(10,947)**	(17,302)
– Non-controlling interests		**591**	–
		(10,356)	(17,302)
Total comprehensive loss attributable to:			
– Shareholders of the Company		**(6,928)**	(17,250)
– Non-controlling interests		**591**	–
		(6,337)	(17,250)
Loss per share (expressed in RMB per share)			
– Basic and diluted losses per share	*9*	**(0.02)**	(0.05)

CONDENDSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**62,193**	45,413
Land use rights		**16,211**	8,202
Intangible assets		**23,388**	6,074
Long-term prepayments	*12*	**19,525**	4,840
Deferred income tax assets		**5,161**	3,126
Restricted cash		**63**	358
Total non-current assets		**126,541**	68,013
Current assets			
Inventories	*10*	**64,701**	49,249
Trade and bills receivables	*11*	**51,071**	54,766
Prepayments, deposits and other receivables	*12*	**19,749**	91,660
Restricted cash		**2,870**	1,244
Cash and cash equivalents		**239,927**	229,433
Total current assets		**378,318**	426,352
Total assets		**504,859**	494,365
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**31,802**	31,802
Share premium		**851,181**	851,181
Capital reserves		**(552,410)**	(552,410)
Other reserves		**27,344**	23,100
Retained earnings		**84,485**	95,657
		442,402	449,330
Non-controlling interests		**14,683**	–
Total equity		**457,085**	449,330

	Note	Unaudited 30 June 2016 *RMB'000*	Audited 31 December 2015 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**2,060**	2,090
Deferred income tax liabilities		**3,834**	–
Total non-current liabilities		**5,894**	2,090
Current liabilities			
Trade payables	*13*	**7,224**	6,435
Advances from customers		**6,942**	8,861
Accruals and other payables		**19,205**	19,516
Short-term borrowings		**2,400**	–
Current income tax liabilities		**6,109**	8,133
Total current liabilities		**41,880**	42,945
Total liabilities		**47,774**	45,035
Total equity and liabilities		**504,859**	494,365

NOTES TO THE CONDENDSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

This condensed consolidated interim financial information is presented in Renminbi (the "**RMB**"), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on 30 August 2016.

This condensed consolidated interim financial information has not been audited.

Key events

In April 2016, the Group acquired a 51% equity interest of Wuxi Taidi Metal Products Co., Ltd. ("**Wuxi Taidi**"), a company specialised in stainless steel mesh at total cash consideration of RMB21,930,000.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standard ("**IFRS**").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

(a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Amendments to IFRS effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

A number of new standards and amendments to standards and interpretations have been issued but not yet effective for the financial year ending on 31 December 2016, and have not been applied in preparing this condensed consolidated interim financial information. None of these are expected to have a significant effect on the condensed consolidated interim financial information of the Group.

4. REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Sales of goods	**28,066**	105,783
Provision of services	**1,815**	–
	29,881	105,783

5. EXPENSES BY NATURE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(15,219)**	30,152
Raw materials consumed and consumable used	**37,965**	25,391
Employee benefit expenses (including share-based compensation expenses)	**6,433**	14,440
Depreciation, amortisation and impairment charges	**3,943**	3,201
Inventory write-down *(Note 10)*	**3,765**	7,330
Utilities charges and office expenses	**1,627**	1,066
Research and development expenses	**1,334**	374
Transportation and warehouse expenses	**1,027**	451
Professional services fees	**904**	111
Travelling, communication and entertainment expenses	**832**	790
Stamp duty, property tax and other surcharges	**749**	846
Consulting service fees	**649**	924
Operating lease rentals	**443**	273
Auditors' remuneration	**400**	–
Conference fee	**64**	48
Bidding service expenses	**45**	136
(Reversal of)/provision for warranty	**(334)**	201
(Reversal of)/provision for impairment of receivables *(Note 11)*	**(468)**	904
Listing expenses	**–**	15,539
Others	**1,463**	383
	45,622	102,560

6. OTHER GAINS- NET

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Government grants	**2,030**	80
Interest income	**293**	–
Foreign exchange gains, net	**577**	129
Gains on disposal of property, plant and equipment	**9**	–
Others	**–**	2
	2,909	211

7. FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Finance income		
Interest income on cash and cash equivalents and restricted cash	**317**	50
Finance costs		
Issuance costs for series A convertible redeemable preferred shares	**–**	(3,708)
Net foreign exchange losses on financing activities	**(663)**	(156)
Interest expense on bank borrowings	**(41)**	–
	(704)	(3,864)
Finance (costs)/income – net	**(387)**	(3,814)

8. INCOME TAX EXPENSES

The Group is not subject to taxation in the Cayman Island. Hong Kong profits tax has been provided for at a rate of 16.5% (2015:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 25% (2015: 25%) and one of which is entitled to preferential EIT rate of 15%.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax expenses	**(719)**	5,752
Deferred income tax	**(2,144)**	(1,075)
	(2,863)	4,677

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended 31 December 2016 is 11.51% and 16.5% respectively (the estimated tax rate used for companies established and operated in the PRC and Hong Kong for the six months ended 30 June 2015 was 15.68% and 16.5% respectively).

9. LOSS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2016	2015
Loss attributable to shareholders of the Company *(RMB'000)*	**(10,947)**	(17,302)
Weighted average number of ordinary shares in issue *(thousand shares)*	**500,000**	352,615
Basic loss per share *(express in RMB per share)*	**(0.02)**	(0.05)

Upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued additional shares to the then shareholders in proportion to their then shareholdings and the 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 the six months ended 30 June 2015 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 loss per share is calculated by dividing the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares, which is series A convertible redeemable preferred shares. As the Group incurred loss for the six months ended 30 June 2015, the series A convertible redeemable preferred shares are anti-diluted and, consequently, not included in the computation of diluted losses per share.

Diluted losses per share is the same as basic losses per share for the six months ended 30 June 2016.

10. INVENTORIES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Raw materials	**16,292**	12,143
Work-in-progress	**6,395**	7,057
Finished goods	**18,713**	17,152
Goods in transit	**23,301**	12,897
	64,701	49,249

For the six months ended 30 June 2016, the cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB35,149,000 (six months ended 30 June 2015: RMB68,468,000), which included inventory write-down of RMB3,765,000 (six months ended 30 June 2015: RMB7,330,000).

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Bills receivable	**3,735**	1,002
Trade receivables	**53,804**	60,700
	57,539	61,702
Less: provision for impairment	**(6,468)**	(6,936)
	51,071	54,766

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

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Less than 3 months	**11,709**	8,906
3 months to 6 months	**–**	6,809
6 months to 1 year	**10,743**	33,293
Over 1 year	**31,352**	11,692
	53,804	60,700

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Included in non-current assets		
Prepayments for acquisition of intangible assets	**17,408**	2,024
Long-term prepaid expenses	**2,082**	1,449
Prepayments for acquisition of property, plant and equipment	**35**	1,367
	19,525	4,840
Included in current assets		
Prepayments to suppliers	**6,175**	3,264
Deposits	**4,686**	1,772
Value-added tax recoverable	**3,419**	523
Prepayment for professional services fee	**1,239**	–
Prepayment for marketing services fee	**994**	–
Amount due from a third party agent	**927**	927
Prepaid employees' housing subsidy	**410**	410
Staff advance	**704**	392
Short-term fixed income deposit	**–**	83,778
Others	**1,195**	594
	19,749	91,660
Total	**39,274**	96,500

13. TRADE PAYABLES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Third party	**7,224**	6,435

Ageing analysis of trade payables as at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Within 6 months	**6,811**	5,627
6 months to 1 year	**71**	480
Over 1 year	**342**	328
	7,224	6,435

BUSINESS REVIEW

Principal activities

The Company is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of plate-type DeNOx catalysts in the People's Republic of China (the "**PRC**"). In the first half of 2016, there were no significant changes in the nature of the Group's principal activities.

Industry analysis

In the first half of 2016, although air pollution in China has been reduced to a certain extent as compared with previous years, there still many areas in China are facing severe air pollution. At present, DeNOx facilities have been basically installed and put into operation in the thermal power industry which is the main source of nitrogen oxide. In 2016, the Chinese government implemented the ultra-clean emission standard in more regions. In the meantime, the first peak for the existing DeNOx catalysts being replenished occurred as expected and this triggered a significant increase in the market demand for the DeNOx catalysts in the first half of the year. But at the same time, due to the intensified competition among several domestic plate-type DeNOx catalysts suppliers, selling prices of catalysts fell significantly and the operation of the industry is under growing pressure.

Save as the DeNOx catalysts for the power industry, there has been a widespread demand of DeNOx catalysts for diesel-powered vehicles and vessels, which will provide new market opportunities and sources of profit.

Sales and Marketing

Due to the further intensified market competition, the Group faced severe challenges in its sales and marketing. A summary of the key marketing operations of the Group in the first half of 2016 is set out below:

(1) In the first half of 2016, the Group signed sales contracts relating to 11 projects with its total sales volume of catalysts amounting to 6,676 m^3.

(2) In the first half of 2016, an Europe-based client placed two orders with the Group amounting to a total of 945 m^3, which is the first time for the Europe-based company to carry out bulk purchase from the plate-type catalyst suppliers of China. This also indicates that the quality of the Group's products is well recognised. The Group made shipments in April and June 2016 respectively on time according to the requirements of the contracts and the product quality satisfied or exceeded the standards as required by the customers through physical and chemical tests by the customers, laying a solid foundation for the Group to further expand into the European market.

(3) The establishment of an industrial catalyst division (the "**Division**") expedited the close cooperation between the sales and the after-sales service of the Group. In the first half of 2016, the team responsible for after-sales service assisted 8 power plants to complete the installation of catalysts for 13 units. The Division compiled new "Operating Instructions for Installation of Plate-Type Catalysts" in accordance with the actual situations, so that the installation of catalysts could proceed smoothly by standardising operating processes. In the first half of 2016, the Division collected catalysts samples from 14 generating units in 12 power plants, notified the customers of the results of the assessment immediately after the catalyst performance test reports were issued, and mailed the reports to the customers. The after-sales service team was highly appraised by the customers.

Production management

(1) In the first half of 2016, the production center strengthened efforts in the control and management of production process. The productivity and quality of products were enhanced. The department revised the documents regarding quality control for products and fulfilled the management of quality at different levels. It formulated the job responsibilities and responsible procedures for all posts of the production center and improved part of the production management systems. It conducted level-three safety training for new employees.

(2) The department proactively put forward rational proposals and carried out technical innovation activities to reduce the production costs and enhance the product quality.

(3) The department accomplished all the catalyst contracts signed by the Group in compliance with the specified quality and quantity in the first half of year. Particularly, in respect of the contracts with the Europe-based client of the Group, the department accomplished the massive production of catalysts of specific quality for export orders for the first time.

Research & development and technology resources

(1) In the first half of 2016, with the Group proceeding of the technical transformation of production process, the research and development department carried out massive inspection, tests and analysis, which provided the data support for its final plan of the technological adjustment.

(2) In the first half of year, the research and development department summarised the raw materials and finished products used in each project for record, run an analysis on various performance indicators of the used samples, as well as delivered the reports to customers. It also made detailed and comprehensive internal reports in order to better manage, analyse and monitor the catalysts under operation.

(3) The department also collected, collated and studied a large amount of technical information relating to catalysts for diesel-powered vehicles and vessels, which laid a foundation for the research and development of new technologies and production of new products for the Group.

(4) Pursuant to relevant PRC regulations, the state will implement the emission limits on pollutants discharged by vessels and vehicles in the first and second stages in 2016 and 2019 respectively. This will trigger explosive market demand for DeNOx catalysts for vessels. In the first half of 2016, the Group acquired the technology of DeNOx catalysts for vessels at the right time and will master this technology as soon as possible to strive for involving in the field of catalysts for vessels after entering into the industry of catalysts for diesel-powered vehicles.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2016 decreased to approximately RMB29.9 million, representing a decrease of 71.7% from approximately RMB105.8 million of the same period last year. Revenue generated from sales of plate-type DeNOx catalysts and the provision of environmental protection consulting services amounted to approximately RMB28.1 million and RMB1.8 million, respectively (for the six months ended 30 June 2015: approximately RMB105.8 million and Nil, respectively). The decrease in sales of plate-type DeNOx catalysts was primarily attributable to (i) a drop in the average selling price of plate-type DeNOx catalysts per m^3 by approximately 55.9% to RMB9,639 per m^3 from RMB21,870 per m^3 in the same period last year due to the intensified market competition; and (ii) the 40% decrease in sales volume of plate-type DeNOx catalysts from 4,837 m^3 of the same period last year to 2,912 m^3 for the period under review.

Cost of sales

Cost of sales of the Group decreased by approximately 48.9% from approximately RMB69.1 million for the six months ended 30 June 2015 to RMB35.3 million for the six months ended 30 June 2016. The decrease in cost of sales was mainly due to decrease in sales volume of plate-type DeNOx catalysts.

Gross Profit and gross profit margin

The Group incurred the gross loss of approximately RMB5.5 million for the six months ended 30 June 2016 and gross profit of RMB36.6 million for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the Group recorded a negative gross profit margin of approximately 18.3% while recording a positive gross profit margin of approximately 34.6% for the same period last year which was mainly due to the decrease in average selling price of plate-type DeNOx catalysts.

Selling and marketing expenses

Selling and marketing expenses primarily consist of bidding service fee, consulting service expenses, transportation cost and employee benefit expenses. For the six months ended 30 June 2016, the selling and marketing expenses of the Group increased to approximately RMB2.3 million from approximately RMB2.0 million of the same period last year.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortization, research and development expenses and listing expenses. For the six months ended 30 June 2016, the Group's administrative expenses decreased by 74.5% to approximately RMB8.0 million from RMB31.4 million in the same period last year. The decrease was primarily attributable to the one-off expenses incurred in the same period last year such as listing expenses of approximately RMB15.5 million and share-based compensation expenses of approximately RMB10.2 million arising from the repurchase of 138,889 Ordinary Shares and 138,889 Ordinary Shares from Advant Performance Limited and EEC Technology Limited.

Other gains (net)

Other gains (net) primarily consist of government grants, foreign exchange gains and interest income. For the six months ended 30 June 2016, the Group's other gains (net) increased to approximately RMB2.9 million from approximately RMB0.2 million in the same period last year. Such increase was mainly due to the receipt of approximately RMB2.0 million from local government of 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 interest costs for borrowings, the costs for issuance of series A preferred shares of the Company (the "**Series A Preferred Shares**") and net foreign exchange losses on financing activities. Finance income includes interest income on cash and cash equivalents and restricted cash. For the six months ended 30 June 2016, the Group's finance costs (net) decreased to approximately RMB0.4 million from RMB3.8 million in the same period last year. Such decrease was primarily due to the expenses for issuance of the Series A Preferred Shares of approximately RMB3.7 million incurred during six months ended 30 June 2015.

Fair value loss of Series A Preferred Shares

The Group recognised the one-off fair value loss of approximately RMB12.2 million of the Series A Preferred Shares for the six months ended 30 June 2015 (30 June 2016: Nil).

Income tax credits/(expenses)

The Group is subject to the 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, a wholly-owned subsidiary of the Company ("**Beijing Denox**"), was designated as "High and New Technology Enterprise" and enjoyed a preferential tax rate of 15% for the period under review. The Group recorded an income tax credit of approximately RMB2.9 million for the six months ended 30 June 2016 and the income tax expenses of approximately RMB4.7 million in the same period last year.

The effective tax rate was 21.7% for the six months ended 30 June 2016. The Group recorded a negative effective tax rate of 37.0% in the same period last year, which was primarily because of loss before income tax as a result of the occurrence of one-off listing expenses, share-based compensation expenses and fair value loss of Series A Preferred Shares which were non tax-deductible.

Loss attributable to the shareholders of the Company

As a result of the foregoing, the loss attributable to the shareholders of the Company for the six months ended 30 June 2016 decreased by 36.7% to approximately RMB10.9 million from RMB17.3 million in the same period last year.

Liquidity and Capital Resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 30 June 2016, the Group had net current assets of approximately RMB336.4 million (31 December 2015: approximately RMB383.4 million) of which cash and cash equivalents were approximately RMB239.9 million (31 December 2015: approximately RMB229.4 million) and were denominated in RMB, US$ and HK$.

The Group's total bank borrowings amounted to approximately RMB2.4 million as at 30 June 2016 (31 December 2015: Nil). Such borrowings are denominated in RMB. As at 30 June 2016, the Group's gearing ratio was 0.5% (31 December 2015: Nil), which is calculated by dividing the total bank borrowings by the total assets of the Group.

The Group had bank guarantees of approximately RMB6.7 million in favor of its customers with respect to the contract penalties or obligations in connection with its product quality and tender as at 30 June 2016 (31 December 2015: approximately RMB5.9 million). Unutilised bank facilities amounted to approximately RMB18.3 million as at 30 June 2016 (31 December 2015: approximately RMB19.1 million).

Use of net proceeds from the Listing

As at 30 June 2016, net proceeds not utilised of approximately RMB127.2 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 the Company's prospectus dated 30 October 2015.

	Planned Amount	Amount utilised up to 30 June 2016	Balance as at 30 June 2016
	RMB'million	*RMB'million*	*RMB'million*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	0.7	77.9
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	24.3
Research and development	17.1	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 Europe	6.9	2.3	4.6
Replacement of the Group's No. 1 production line	5.1	2.6	2.5
Working capital and general corporate purposes	17.1	16.0	1.1
	171.0	43.8	127.2

Pledged assets

As at 30 June 2016, the Group pledged assets with an aggregate carrying value of approximately RMB20.3 million (31 December 2015: approximately RMB13.1 million) to secure banking facilities and bank borrowings.

Capital expenditure and commitments

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the six months ended 30 June 2016, the Group invested approximately RMB3.0 million (31 December 2015: RMB4.1 million) for the prepayment and purchase of property, plant and equipment and RMB15.4 million for intangible assets (31 December 2015: RMB2.0 million). These capital expenditures were financed by internal resources of the Group.

As at 30 June 2016, the Group's future capital expenditures contracted but not provided for amounted to approximately RMB14.6 million (31 December 2015: approximately RMB3.1 million).

Contingent liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

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

In April 2016, Beijing Denox acquired 51% equity interest in Wuxi Denox Environmental & Technology Co., Ltd. (formerly known as Wuxi Taidi Metal Products Co., Ltd.* (無錫市泰迪金屬製品有限公司)) ("**Wuxi Denox**") at a total consideration of approximately RMB21.9 million. Wuxi Denox became an indirect non-wholly owned subsidiary of the Company and its financial results were consolidated into the financial results of the Group.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2016.

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

No important events affecting the Group has taken place since 30 June 2016 and up to the date of this announcement.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in RMB, of which foreign exchange risk is considered insignificant. The Group is exposed to foreign exchange risk primarily with respect to certain of its bank deposits which were denominated in HK$ and US$. The Group did not carry out any hedging activity against foreign currency risk during the six months ended 30 June 2016. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Employees

As at 30 June 2016, the Group had 139 employees (31 December 2015: 119). Remuneration of the employees of the Group amounted to RMB6.4 million for the six months ended 30 June 2016 (the year ended 31 December 2015: RMB19.6 million). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the directors, senior management and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for 2015. 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 provide training to employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

PROSPECTS

In the upcoming two years, the Group will continue its sales effort in the China. In order to increase sales of the Group and enhance its competitiveness, the Group will (a) further strengthen its marketing efforts in expanding the sales of its catalysts to the overseas markets, including European, Taiwanese and Southeast Asian markets; and (b) further develop its DeNOx products for diesel-powered vehicles. Further details are set out below:

Strengthen efforts in marketing

(1) According to the price competition in the domestic market currently, the Group will select projects and make the risk assessment.

(2) Leveraging on the influence of the Group's high-quality products in the overseas markets, the Group will make greater efforts in strengthening the sales of DeNOx catalysts in the international market to boost the proportion of the export sales attributable to the Group's total sales;

(3) The Group will recruit and train sales and technical talents with a view to make preparations for talents for the Group to further expand its market share.

Further enhance productivity and reduce production cost

(1) The Group has replaced its No. 1 production line with an additional production line at the beginning of the second half of 2016, and its production capacity will reach 36,000 m^3 per year. Higher productivity will allow the Company to respond to its customers' demands quickly and shorten its delivery time.

(2) In response to the current price competition, the Group will further upgrade its production process and make technological adjustments to equipment in the first half of year which could reduce the unit production cost of catalysts with a view to make the Group an industry leader in terms of production cost and product quality.

(3) The Group will further strengthen and optimise management of inventory and therefore better manage the cash flow of the Group .

New products and technologies

(1) The Group ordered equipment for production of catalysts for diesel-powered vehicles, which will arrive at the production site in the fourth quarter of 2016. Affected by the extended time being required for the approval from local government, it is expected that the commencement of production of catalysts products for diesel-powered vehicles will be slightly behind the schedule, which is currently expected to take place by end of 2016. The Group will complete the test of equipment and production of products as soon as possible, to pass the inspection and testing performed by independent third parties as early as possible, so that it would be included in the list of qualified suppliers of diesel-powered vehicles, provide customers with qualified products and become new sources of profit for the Group.

(2) Proper digestion of technologies for DeNOx catalysts for vessels

Given that the emission reduction in nitrogen oxide discharged by vessels has been implemented in two phases since 2016, the Group will digest the technology of DeNOx catalysts for vessels, and further strengthen communications with shipyards, vessel engine manufacturers and design institutes with a view to tapping into this field as soon as possible.

Supply of steel plates

The Group acquired 51% equity of Wuxi Denox in the first half of year. After such acquisition, the Group possessed two production bases in the North and South respectively. As the next step, the Company will strengthen the management of Wuxi Denox, which will supply high-quality stainless steel plates for the Group in a timely manner.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2016.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2016, the Company complied with the applicable code provisions of the Corporate Governance Code with the exception of code provision A.2.1. The Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company. For further details of such exception, please refer to section headed "Corporate Governance Report – (D) Chairman and Chief Executive" of the annual report of the Company for the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with management and external auditor the accounting policies, accounting standards and practices adopted by the Group and the unaudited consolidated interim financial information and results of the Group for the six months ended 30 June 2016.

PUBLICATION OF 2016 INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 2016 Interim Report will be made available on the websites of the Company and Stock Exchange and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 30 August 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.