



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



2021

INTERIM REPORT



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. LI Xingwu
Mr. TEO Yi-Dar

Independent non-executive Directors

Ms. CHAN Yeuk Wa
Mr. ONG Chor Wei
Mr. LI Min

Audit Committee

Ms. CHAN Yeuk Wa (*Chairlady*)
Mr. ONG Chor Wei
Mr. LI Min

Remuneration Committee

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

Nomination Committee

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

Joint Company Secretaries

Mr. LIU Lianchao
Mr. WONG Yu Kit

Authorised Representatives

Ms. ZHAO Shu
Mr. LIU Lianchao

Auditor

SHINEWING (HK) CPA Limited

Registered Office in Cayman Islands

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

CORPORATE INFORMATION

Principal Place of Business in Hong Kong

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

Headquarters and Principal Place of Business in the PRC

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
No. 183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank Corporation
China Merchants Bank

Company's Website

www.china-denox.com

Stock Code

01452



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Denox Environmental & Technology Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of plate-type and honey-comb DeNOx catalysts in the People’s Republic of China (the “**PRC**”). During the six months ended 30 June 2021 (the “**Period**”), there were no significant changes in the nature of the Group’s principal activities.

The Company’s Management Analysis Report for the First Half of 2021 and Outlook on the Work for the Second Half of 2021

I. Work overview of the Company for the first half of 2021

(I) Plate-type and honeycomb DeNOx catalysts

1. Current market situation

- (1) The thermal power industry is continuously operating at a low level, and the catalyst market is still mainly derived from the normal replacement of catalysts in the existing thermal power plants.
- (2) The market demand of metallurgy, coking, cement, gas turbine, waste-to-energy and other industries is relatively stable, which is characterized by numerous projects, large difference in operating conditions, and small contract value for a single project.
- (3) The vessel catalyst market has not really started, and certain shipbuilding enterprises and ship research institutes have begun to consider to conduct preliminary performance tests and experiments on domestic catalysts.
- (4) Overall, there are many industrial catalyst manufacturers with overcapacity, and the selling price showed a downward trend in the first half of 2021.

2. The Group’s key work on plate-type and honeycomb DeNOx catalyst products

(1) Marketing and after-sale services

In the first half of 2021, the marketing department completed catalyst technical solutions for 226 projects, submitted 81 official bids with customers such as power generation groups and local power plants, and entered into a total of 30 supply contracts as of the end of June 2021. Although the number of contracts increased as compared with the same period last year, the average catalyst volume and contract value per contract both decreased. As of the end of June 2021, the Group completed the initial acceptance of 7 generation units in 5 power plants in the first half of the year, and completed the final acceptance of 11 customers and the recovery of all contract payments.

The notable marketing work of the Group in the first half of 2021 includes:

- The Group successfully signed a DeNOx catalyst contract in the cement industry, and achieved breakthrough performance in the cement industry. The project was of great significance, which laid a foundation for the Group to continuously track the operation in the subsequent period and accumulate engineering experience in the cement industry, and make preparations for the market expansion of catalysts in the cement industry in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

- The Group successfully signed a DeNO_x catalyst contract in the coking industry and achieved breakthrough performance in the low-temperature coking industry.
- The Group successfully signed a contract for the low-temperature catalyst for comprehensive hazardous waste incineration project, and achieved breakthrough performance in the hazardous waste incineration industry.

(2) Product manufacturing

The production tasks in the first half of 2021 declined as compared with the same period last year, resulting in a higher per capita cost per unit catalyst. In the first half of the year, the Group completed the production of catalysts for 27 projects and delivered products for 23 projects. The number of projects exceeded that of the same period last year, but due to the decrease in the average volume of catalysts per project, the overall production task was not saturated.

The decline in the selling price of catalysts and the increase in the prices of bulk raw materials such as titanium dioxide, significantly impacted the gross profit margin of catalyst products of the Group. At the beginning of the year, the Group disposed of its equity interests in the Wuxi Plant, and the Gu'an Plant processed stencils on its own thereafter, which allowed the Group to generally reduce the production costs of stencils as planned.

In the first half of 2021, the production line for honeycomb catalysts basically reached the designed capacity, and the proportion of honeycomb catalysts gradually increased in the first half of the year. Accordingly, the Company had full ability to develop the honeycomb catalyst market in various industries such as electric power, metallurgy, coking, cement, waste-to-energy, etc.

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

1. Taking into account the switch of emission regulations from China V to China VI, in the first half of 2021, the Group stopped the production and sales of China V catalysts for diesel vehicles as planned.
2. In the first half of the year, the Group continued to optimize and perfect the China VI catalyst products for natural gas-powered vehicles. Therefore, the quality of natural gas catalyst products improved rapidly, and the Group has formally begun bulk supply to mainstream engine plants. The Group carried out technical exchanges on natural gas catalyst products with many domestic vehicle manufacturers and diesel engine plants, and product testing and verification are also proceeding in an intense and orderly manner.
3. In the first half of the year, the Group continued to develop a series of catalyst products for China VI diesel-powered vehicles to prepare for the possible localization of products in the future.
4. After nearly a year of installation, debugging and trial operation, the coating production line of vehicle catalyst products has met the mass production requirements at present, and the quality and reliable products have been recognized by customers.



MANAGEMENT DISCUSSION AND ANALYSIS

II. Key work arrangements of the Group for the second half of 2021

(I) Plate-type and honeycomb DeNOx catalysts

1. In the second half of the year, the Group must make every effort to strengthen the marketing of plate-type and honeycomb catalysts, enhance the assessment of marketing personnel, and further recruit sales personnel with market development capabilities. The Group must regularly summarize and review the marketing work, adjust the marketing strategy in accordance with the needs of new industrial expansion, and strive to make greater progress in market development in the second half of the year.
2. In response to fierce market competition, the Group must continue to strengthen benchmarking management in the industry, continue to adopt technical measures to reduce unit raw material costs and unit labor costs, continue to reduce inventory and accounts receivable, and strive to improve gross margin of products.

(II) Catalyst products for China VI natural gas-powered vehicles and diesel-powered vehicles

1. Catalyst products for China VI natural gas-powered vehicles

Currently, the Company's catalyst products for China VI natural gas-powered vehicles preliminarily possess technology leading edge and have achieved bulk supply. However, the large proportion of precious metals in the catalyst products for natural gas-powered vehicles, and the overall low gross margin of the products, caused great financial pressure on the Company. Next, the Group will continue to enhance the technical research and development of catalysts for natural gas-powered vehicles, and strive to make further breakthroughs in technology and production processes, so as to achieve the normal profit margin of products, and alleviate financial difficulties.

2. Catalyst product series for China VI diesel-powered vehicles

The Group will continue to strengthen technical exchanges with vehicle manufacturers and engine plants, grasp the mainstream technical route for the development of catalysts for China VI diesel-powered vehicles, and focus on the key issues about the catalysts for diesel-powered vehicles that customers care about. At present, vehicle manufacturers and engine plants still prefer several foreign suppliers of catalysts for diesel-powered vehicles. However, the vehicle manufacturers and engine plants are also actively contacting domestic manufacturers of catalysts for diesel-powered vehicles in order to reduce the production cost of engines. The localization of catalysts for diesel-powered vehicles will be a trend in the future, therefore, the Group must actively prepare to achieve technological breakthroughs in catalysts for diesel-powered vehicles and realize bulk supply as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June			
	2021		2020	
	Renminbi ("RMB") '000	%	RMB'000	%
Plate-type DeNOx catalysts	26,174	84.1	18,932	84.3
Honey-comb DeNOx catalysts	4,617	14.8	–	0.0
DeNOx catalysts for diesel-powered vehicles	329	1.1	3,527	15.7
Total	31,120	100.0	22,459	100.0

The Group recorded a total revenue of approximately RMB31.1 million for the Period, representing an increase of 38.2% as compared to approximately RMB22.5 million of the same period in 2020.

The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants. Revenue generated from sales of plate-type DeNOx catalysts for the Period increased to approximately RMB26.2 million, representing an increase of 38.6% as compared to approximately RMB18.9 million of the same period in 2020, which was primarily attributable to the increase in the average selling price and sales volume of plate-type DeNOx catalysts during the Period.

During the Period, the Group recorded a revenue of DeNOx catalysts for diesel-powered vehicles approximately RMB0.3 million with a decrease of 91.4% as compared with the revenue of approximately RMB3.5 million in the same period in 2020.

Gross profit

During the Period, the Group recorded a gross profit of approximately RMB3.6 million which resulted from the selling price rebound of plate-type DeNOx catalysts. During the six months ended 30 June 2020, the Group recorded a gross profit of approximately RMB3.8 million.

Selling and marketing expenses

Selling and marketing expenses primarily consist of selling and marketing expenses, transportation cost, employee salaries and benefit expenses, etc. During the Period, the Group focused in strengthening its marketing network and there was an increase in marketing expenses for the Period. However, in view of the COVID-19 epidemic, our marketing teams reduced their personal traveling in visiting the clients and has adopted various communication channels in communicating with the clients, such as more telephone and video calls etc. and thus, the Group recorded a lower traveling and relating expenses for the Period. As a whole, the Group's selling and marketing expenses increased by 56.7% to approximately RMB4.7 million from approximately RMB3.0 million in the same period in 2020 during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation, research and development expenses and professional fees. For the Period, the Group's administrative expenses amounted to approximately RMB7.7 million, which increased by 35.1% when compared with approximately RMB5.7 million of the same period in 2020, mainly due to the increase in employee benefit expenses, depreciation and amortisation and audit service fees, etc.

Finance (costs)/income

Finance costs include interest expenses on lease liabilities. Finance income includes interest income on cash and cash equivalents, restricted cash and pledged bank deposits. The Group recorded net finance costs of approximately RMB0.1 million for the six months ended 30 June 2021 while it recorded net finance income of approximately RMB0.1 million in the same period in 2020.

Profit/(loss) attributable to the owners of the Company

As a result of the aforementioned major factors, the profit attributable to the owners of the Company for the Period amounted to approximately RMB3.0 million while the loss attributable to the owners of the Company amounted to approximately RMB4.6 million in the same period in 2020.

Liquidity and capital resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 30 June 2021, the Group had net current assets of approximately RMB166.9 million (31 December 2020: approximately RMB157.2 million) of which cash and cash equivalents were approximately RMB69.8 million (31 December 2020: approximately RMB85.0 million) and were denominated in RMB, US\$, Euro€, and HK\$.

The gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group had no outstanding bank loans and other borrowings as at 30 June 2021 (31 December 2020: Nil) and the resulting gearing ratio is nil (31 December 2020: Nil).

The Group had no other pledged assets as at 31 December 2020 and 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from the Listing

As at 30 June 2021, net proceeds not utilised of approximately RMB34.4 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the prospectus of the Company dated 30 October 2015 and the announcement dated 28 December 2020.

Purposes	Original allocation of net proceeds as stated in the prospectus RMB'million	New allocation of net proceeds (note 1) RMB'million	Amount utilized up to 30 June 2021 RMB'million	Amount unutilized up to 30 June 2021 RMB'million	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) (Note 2)
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	73.5	5.1	Fourth quarter of 2024
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	21.9	–	N/A
Research and development	17.1	17.1	13.9	3.2	Fourth quarter of 2024
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	6.9	4.9	2.0	Fourth quarter of 2024
Replacement of the Group's No. 1 production line	5.1	3.5	3.5	–	N/A
Working capital and general corporate purposes	17.1	43.0	18.9	24.1	Fourth quarter of 2024
Total	171.0	171.0	136.6	34.4	

Note 1: The utilization of the net proceeds and the use of proceeds for unutilized amount of net proceeds from the Global offering was updated. For details, please refer the announcement of the Company dated 28 December 2020.

Note 2: The expected timeline for fully utilizing the remaining proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the Period, the Group invested approximately RMB5.1 million (six months ended 30 June 2020: RMB0.9 million) for purchase of property, plant and equipment. These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 30 June 2021, the Group had capital commitment amounted to RMB1.4 million (31 December 2020: RMB1.4 million) for capital contribution to an associate company, Langfang Denox Environmental & Technology Co., Ltd., which is principally engaged in development and manufacture of DeNOx catalysts for vehicles. As at 30 June 2021, the Group had capital commitment amounted to approximately RMB0.2 million (31 December 2020: RMB2.0 million) for acquisition of property, plant and equipment.

Contingent liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

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

On 8 March 2021, Beijing Denox Environmental & Technology Co., Ltd.* (北京迪諾斯環保科技有限公司), an indirectly wholly-owned subsidiary of the Company (“**Beijing Denox**”), entered into an equity transfer agreement with Mr. Chen Zhengfang (陳正芳), a non-controlling shareholder of the Group, in which Beijing Denox agreed to dispose of the entire 51% equity interest of Wuxi Denox Environmental & Technology Co., Ltd (“**Wuxi Denox**”), with the cash consideration of approximately RMB15,401,000. The transaction was completed in April 2021. Beijing Denox no longer held any equity interest in Wuxi Denox and Wuxi Denox has been ceased as a subsidiary of the Company after completion. Details are disclosed in the announcement dated 8 March 2021.

Save as disclosed, there were no significant investments held, no material acquisitions of the Company or disposals of subsidiaries, associates and joint ventures during the Period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Important events affecting the Group after the Period

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

Save as disclosed in this announcement, no important events affecting the Group has taken place during 30 June 2021 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\$, US\$ and Euro€. The Group did not carry out any hedging activities against foreign currency risk during the Period. Any substantial fluctuation in exchange rate of foreign currencies against Renminbi may have a financial impact to the Group.

Employees and Remuneration

As at 30 June 2021, the Group had 212 employees (31 December 2020: 183). Remuneration of the employees of the Group amounted to RMB12.1 million for the Period (for the six months ended 30 June 2020: RMB8.3 million). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the Directors, senior management members and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group has adopted a share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 2020. As the growth of the Group is dependent upon the skills and dedication of its employees, the Group recognises the importance of human resources in competitive industry and has devoted resources to provide training to employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.



OTHER INFORMATION

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares of the Company (“**Shares**”), underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

Name of Directors	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Ms. Zhao Shu (“ Ms. Zhao ”)	Beneficial owner	14,812,477 (L)	3.00%
	Interest in controlled corporation (Note 3)	153,031,609 (L)	30.98%
Mr. Li Xingwu (“ Mr. Li ”)	Interest in controlled corporation (Note 4)	51,075,015 (L)	10.34%
Mr. Kong Hongjun (“ Mr. Kong ”)	Interest in controlled corporation (Note 5)	8,887,475 (L)	1.80%
Mr. Li Ke	Interest in controlled corporation (Note 6)	2,962,474 (L)	0.60%

Notes:

- The letter “L” denotes the person’s long position in the Shares.
- The percentages are calculated based on 494,037,000 Shares in issue as at 30 June 2021.
- These 153,031,609 Shares are held by Advant Performance Limited (“**Advant Performance**”) which is wholly owned by Ms. Zhao. Ms. Zhao is deemed to be interested in these Shares by virtue of the SFO.
- These 51,075,015 Shares are held by EEC Technology Limited (“**EEC Technology**”) which is wholly owned by Mr. Li. Mr. Li is deemed to be interested in these Shares by virtue of the SFO.
- These 8,887,475 Shares are held by Global Reward Holdings Limited which is wholly owned by Mr. Kong. Mr. Kong is deemed to be interested in these Shares by virtue of the SFO.
- These 2,962,474 Shares are held by Fine Treasure Asia Holdings Limited which is wholly owned by Mr. Li Ke. Mr. Li Ke is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or is otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

Directors' Right to Acquire Shares or Debentures

Save for the share option scheme of the Company as disclosed in its annual report for the year ended 31 December 2020, at no time during the Period was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements which enable Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests in Securities

As at 30 June 2021, so far as the Directors were aware, the following persons' (other than the Directors and chief executives of the Company) had interests or short position in the Shares, underlying Shares and debentures of the Company, being interests of 5% or more, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Advant Performance	Beneficial owner	153,031,609 (L)	30.98%
EEC Technology	Beneficial owner	51,075,015 (L)	10.34%
Kickstart Holdings Limited	Beneficial owner	40,188,996 (L)	8.13%
Spring Capital Asia Fund, L.P.	Interest in controlled corporation (Note 3)	40,188,996 (L)	8.13%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The percentages are calculated based on the 494,037,000 Shares in issue as at 30 June 2021.
3. Kickstart Holdings Limited is beneficially and wholly owned by Spring Capital Asia Fund, L.P.. Spring Capital Asia Fund, L.P. is deemed to be interested in these Shares held by Kickstart Holdings Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) having an interest or short position in Shares, underlying Shares and debentures of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme ("**Share Option Scheme**") on 14 October 2015. Further details of the Share Option Scheme is available in pages 30 and 31 of the annual report of the Company for 2020.

No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2021, the Company has no outstanding share option under the Share Option Scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2020: Nil).

SUFFICIENCY OF PUBLIC FLOAT

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

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 Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules with the exception of code provision A.2.1. Given the current stage of the development of the Group, the Board is of the view that vesting the two roles of chairman and chief executive to Ms. Zhao, the chairlady of the Group 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 deviation, please refer to the section headed "Corporate Governance Report – (D) Chairman and Chief Executive" in page 9 of the annual report of the Company for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

UPDATES ON DIRECTORS' INFORMATION

During the Period, there are no pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company subsequent to the date of the 2020 Annual Report of the Company up to the date of the Board meeting held at 30 August 2021 approving this interim report:

APPOINTMENT OF AUDITOR

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

REVIEW BY THE AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited consolidated interim financial information and interim report of the Group for the six months ended 30 June 2021 in conjunction with the management, and has also discussed the accounting policies, accounting standards and practices adopted by the Group for the six months ended 30 June 2021.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers	7	31,120	22,459
Cost of sales		(27,523)	(18,689)
Gross profit		3,597	3,770
Selling and marketing expenses		(4,691)	(2,979)
Administrative expenses		(7,742)	(5,718)
Other (losses) gains, net	8	(155)	114
Gain on disposal of a subsidiary	20	6,591	–
Finance income	9	64	147
Finance costs	9	(180)	(25)
Loss before tax		(2,516)	(4,691)
Income tax credit	10	–	89
Loss for the period		(2,516)	(4,602)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		(644)	1,259
Other comprehensive (expense) income for the period		(644)	1,259
Total comprehensive expense for the period		(3,160)	(3,343)
Profit (loss) for the period attributable to:			
– Owners of the Company		3,009	(4,631)
– Non-controlling interests		(5,525)	29
		(2,516)	(4,602)
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		2,365	(3,372)
– Non-controlling interests		(5,525)	29
		(3,160)	(3,343)
Profit (loss) per share	11		
Basic and diluted (RMB per share)		0.006	(0.009)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	46,309	54,808
Right-of-use assets		15,678	19,777
Intangible assets		–	2,857
Interest in an associate		–	–
Long-term prepayments		334	2,156
Restricted cash	16	–	3,219
		62,321	82,817
Current assets			
Inventories	13	110,524	90,723
Trade receivables	14	29,615	32,531
Financial assets at fair value through other comprehensive income	15	7,102	7,680
Prepayments, deposits and other receivables		15,952	11,217
Pledged bank deposits	16	–	3,418
Restricted cash	16	4,920	2,373
Cash and cash equivalents	16	69,783	84,967
		237,896	232,909
Total assets		300,217	315,726



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,414	3,281
Deferred tax liabilities		–	1,291
		5,414	4,572
Current liabilities			
Trade payables	17	14,228	12,252
Bill payables	17	–	3,418
Accruals and other payables		4,573	8,018
Contract liabilities		46,771	43,968
Lease liabilities		1,716	510
Income tax payables		3,703	7,552
		70,991	75,718
Total liabilities		76,405	80,290
Net assets		223,812	235,436
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	31,423	31,423
Reserves		192,389	190,024
		223,812	221,447
Non-controlling interests		–	13,989
Total equity		223,812	235,436
Total equity and liabilities		300,217	315,726

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2021

	Note	Attributable to owners of the Company						Non-controlling interests	Total	
		Share capital	Treasury stock	Share premium	Capital reserves	Other reserves	Accumulated losses			Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2020 (audited)		31,506	(362)	850,103	(552,410)	34,909	(117,577)	246,169	14,362	260,531
(Loss) profit for the period		-	-	-	-	-	(4,631)	(4,631)	29	(4,602)
Other comprehensive income for the period										
Exchange differences arising on translation of financial statements from functional currency to presentation currency		-	-	-	-	1,259	-	1,259	-	1,259
Total comprehensive income (expense) for the period		-	-	-	-	1,259	(4,631)	(3,372)	29	(3,343)
Appropriation to statutory reserves	(i)	-	-	-	-	45	(45)	-	-	-
Cancellation of treasury stock		(83)	362	(279)	-	-	-	-	-	-
At 30 June 2020 (unaudited)		31,423	-	849,824	(552,410)	36,213	(122,253)	242,797	14,391	257,188



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Six Months Ended 30 June 2021

	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total
		Share capital	Share premium	Capital reserves	Other reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2021 (audited)		31,423	849,824	(552,410)	31,283	(138,673)	221,447	13,989	235,436
Profit (loss) for the period		-	-	-	-	3,009	3,009	(5,525)	(2,516)
Other comprehensive expense for the period									
Exchange differences arising on translation of financial statements from functional currency to presentation currency		-	-	-	(644)	-	(644)	-	(644)
Total comprehensive expense (income) for the period		-	-	-	(644)	3,009	2,365	(5,525)	(3,160)
Appropriation to statutory reserves	(i)	-	-	-	618	(618)	-	-	-
Disposal of a subsidiary	20	-	-	-	(839)	839	-	(8,464)	(8,464)
At 30 June 2021 (unaudited)		31,423	849,824	(552,410)	30,418	(135,443)	223,812	-	223,812

Note:

- i) In accordance with the respective articles of association and board resolutions, certain subsidiaries operated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the six months ended 30 June 2021, RMB618,000 (six months ended 30 June 2020: RMB45,000) was appropriated from retained earnings to the statutory surplus reserve fund.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash used in operating activities		(28,954)	(5,003)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(3,839)	(2,174)
Placement of restricted cash		(1,207)	(467)
Capital injection in an associate		–	(600)
Net cash inflow on disposal of a subsidiary	20	15,355	–
Withdrawal of pledged bank deposits		3,418	–
Withdrawal of restricted cash		1,879	–
Net cash from (used in) investing activities		15,606	(3,241)
FINANCING ACTIVITIES			
Repayments of lease liabilities		(1,023)	–
Interest paid		(180)	–
Net cash used in financing activities		(1,203)	–
Net decrease in cash and cash equivalents		(14,551)	(8,244)
Cash and cash equivalents at the beginning of the period		84,967	125,415
Effect of foreign exchange rate changes		(633)	1,075
Cash and cash equivalents at the end of the period		69,783	118,246



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

1. GENERAL

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

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

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

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

These condensed consolidated interim financial information were approved by the board of directors of the Company for issue on 30 August 2021.

These condensed consolidated interim financial information are unaudited, but have been reviewed by the Audit Committee of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

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

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2020 except as describe below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards (“**IFRSs**”) issued by the IASB which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	COVID-19-Related Rent Concessions

The application of the new and amendments to IFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

4. ESTIMATES

In the preparation of the condensed consolidated interim financial information of the Group, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the condensed consolidated interim financial information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

5. FINANCIAL INSTRUMENTS

Fair value measurement

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

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

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

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

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that its business, as a whole, falls into one segment. Accordingly, no analysis of this single operating segment is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

7. REVENUE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	26,174	18,932
• Honey-comb DeNOx catalysts	4,617	–
• DeNOx catalysts for diesel-powered vehicles	329	3,527
	31,120	22,459

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

8. OTHER (LOSSES) GAINS, NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (note)	60	329
Net foreign exchange losses	(69)	(212)
Write-off of property, plant and equipment	(194)	–
Others	48	(3)
	(155)	114

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

9. FINANCE INCOME/FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income on cash and cash equivalents, restricted cash and pledged bank deposits	64	147
Finance costs		
Interest expenses on lease liabilities	(180)	(25)

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax:		
Current period	–	41
	–	41
Deferred taxation:		
Current period	–	(130)
	–	(89)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the six months ended 30 June 2021 and 2020.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

11. PROFIT (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit (loss)		
Profit (loss) for the purpose of basic and diluted profit (loss) per share (profit (loss) for the period attributable to owners of the Company)	3,009	(4,631)

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

The diluted profit (loss) per share was the same as the basic profit (loss) per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of approximately RMB5,115,000 (six months ended 30 June 2020: approximately RMB910,000). Property, plant and equipment with an aggregate carrying amount of approximately RMB194,000 was written off by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

13. INVENTORIES

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	22,673	14,428
Work-in-progress	1,648	2,810
Finished goods	19,891	19,950
Goods in transit	66,312	53,535
	110,524	90,723

During the six months ended 30 June 2021, the cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB27,523,000 (six months ended 30 June 2020: RMB18,641,000).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

14. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	32,963	35,879
Less: allowance for impairment of trade receivables	(3,348)	(3,348)
	29,615	32,531

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the date of revenue recognition dates, at the end of the reporting period.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	13,936	16,234
1 year to 2 years	11,981	11,454
2 years to 3 years	1,532	3,937
Over 3 years	2,166	906
	29,615	32,531

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bill receivables	7,102	7,680

As at 30 June 2021 and 31 December 2020, financial assets at fair value through other comprehensive income represented bill receivables where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

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

Pledged bank deposits

Pledged bank deposits amounting to RMB3,418,000 (30 June 2021: nil) have been pledged to secure bill payables and are therefore classified as current assets as at 31 December 2020. The pledged bank deposits carried interest rate of 0.3% (30 June 2021: nil) per annum as at 31 December 2020.

Restricted cash

Restricted cash are held as guarantee for bidding, product quality and performance of the Group's products. The guarantee period is ranged from one to two years. Restricted cash amounting to RMB3,219,000 (30 June 2021: nil) is with guarantee period more than 1 year from the date of balance sheet and therefore classified as non-current assets as at 31 December 2020. The restricted cash carried interest rate of 0.3% (31 December 2020: 0.3%) per annum as at 30 June 2021.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Cash at bank carried interest rates ranging from 0.1% to 0.35% (31 December 2020: 0.1% to 0.35%) per annum as at 30 June 2021.

17. TRADE AND BILL PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	14,228	12,252
Bill payables	–	3,418
	14,228	15,670

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 6 months	10,971	15,434
6 months to 1 year	3,064	55
1 year to 2 years	141	134
Over 2 years	52	47
	14,228	15,670



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

18. SHARE CAPITAL

	Number of shares '000	Share capital USD'000
--	-----------------------------	-----------------------------

Ordinary shares of USD0.01 each

Authorised

At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited)

5,000,000 50,000

	Number of shares '000	Share capital RMB'000
--	-----------------------------	-----------------------------

Issued and fully paid

At 1 January 2020 (audited)
Shares cancelled (note i)

495,349 31,506
(1,312) (83)

At 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited)

494,037 31,423

Note:

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

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

19. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Commitment to contribute capital to an associate (note i)	1,400	1,400
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information in respect of acquisition of property, plant and equipment	169	1,963

Note:

- (i) In February 2019, Gu'an Denox, a subsidiary of the Company, and two third party individuals established Langfang Denox Environmental & Technology Co., Ltd ("Langfang Denox"), a company planned to engage in development and manufacture of DeNOx catalysts for vehicles, in which the Group will make a capital contribution of RMB2,000,000 and hold 40% of its total interests. During the six months ended 30 June 2020, the Group contributed an amount of RMB600,000 (six months ended 30 June 2021: nil) to Langfang Denox. No operation activities had been carried out in this associate during both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

20. DISPOSAL OF A SUBSIDIARY

On 8 March 2021, the Group entered into a sale and purchase agreement with Mr. Chen Zheng Fang (陳正芳), the non-controlling shareholder of the Group in which the Group agreed to dispose of the entire 51% equity interest of a subsidiary, Wuxi Denox Environmental & Technology Co., Ltd (“**Wuxi Denox**”), with the cash consideration of approximately RMB15,401,000. The transaction was completed in April 2021. Details are disclosed in the Group’s announcement dated 8 March 2021. As at 30 June 2021, cash consideration of approximately RMB15,401,000 was fully settled.

The net assets of Wuxi Denox at the date of disposal were as follows:

	RMB'000 (Unaudited)
Property, plant and equipment	9,849
Right-of-use assets	7,273
Intangible assets	2,783
Inventories	3,679
Financial assets at fair value through other comprehensive income	430
Trade and other receivables	886
Cash and cash equivalents	46
Trade and other payables	(2,577)
Income tax payable	(3,804)
Deferred tax liability	(1,291)
Net assets disposed of	17,274
Less: Non-controlling interests	(8,464)
	8,810
Gain on disposal of a subsidiary:	
Consideration received	15,401
Net assets disposed of	(17,274)
Non-controlling interests	8,464
Gain on disposal of a subsidiary	6,591
	RMB'000 (Unaudited)
Net cash inflow arising on disposal:	
Cash consideration received	15,401
Less: Cash and cash equivalents disposed of	(46)
	15,355



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

21. RELATED PARTY TRANSACTIONS

(a) The following companies and persons are related parties of the Group during the six months ended 30 June 2021 and 2020:

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

(b) Transactions with related parties

- (i) In prior years, the Group has entered into a five-year lease in respect of a property from Mr. Chen Qizhao. The amount of rent payable by the Group under the lease is RMB313,000 per year. As at 30 June 2021, the carrying amount of such lease liabilities is RMB273,000 (31 December 2020: RMB260,000). During the six months ended 30 June 2020, the Group has made lease payment of RMB157,000 (six months ended 30 June 2021: nil) to Mr. Chen Qizhao.
- (ii) In prior years, the Group has entered into a five-year lease in respect of a property from Zhongyu Environmental. The amount of rent payable by the Group under the lease is RMB44,000 per year. During the six months ended 30 June 2020, the Group has made lease payment of RMB18,000 (six months ended 30 June 2021: nil) to Zhongyu Environmental.
- (iii) Included in other payables, Mr. Chen Zhengfang advanced a shareholder loan to the Group with the amount of RMB610,000 (30 June 2021: nil) as at 31 December 2020. The amounts are unsecured, non-interest bearing and repayable on demand.

22. COMPARATIVE FIGURES

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