

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Denox Environmental & Technology Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	3	71,460	64,776
Cost of sales		<u>(59,237)</u>	<u>(49,086)</u>
Gross profit		12,223	15,690
Selling and marketing expenses		(13,316)	(9,039)
Administrative expenses		(20,213)	(18,061)
Research and development expenses		(6,891)	(6,718)
Impairment loss recognised in respect of trade receivables, net		(486)	(448)
Other gains (losses), net	4	713	(2,347)
Share of profit (loss) of an associate		91	(600)
Gain on disposal of a subsidiary		8,618	-
Finance income	5	87	265
Finance costs	5	<u>(279)</u>	<u>(142)</u>
Loss before tax		(19,453)	(21,400)
Income tax expenses	6	<u>-</u>	<u>-</u>
Loss for the year	7	<u>(19,453)</u>	<u>(21,400)</u>
Other comprehensive expense			
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		<u>(1,630)</u>	<u>(3,695)</u>
Other comprehensive expense for the year		<u>(1,630)</u>	<u>(3,695)</u>
Total comprehensive expense for the year		<u>(21,083)</u>	<u>(25,095)</u>
Loss for the year attributable to:			
- Owners of the Company		(12,296)	(21,027)
- Non-controlling interests		<u>(7,157)</u>	<u>(373)</u>
		<u>(19,453)</u>	<u>(21,400)</u>
Total comprehensive expense for the year attributable to:			
- Owners of the Company		(13,926)	(24,722)
- Non-controlling interests		<u>(7,157)</u>	<u>(373)</u>
		<u>(21,083)</u>	<u>(25,095)</u>
Loss per share	8		
Basic and diluted (RMB per share)		<u>(0.02)</u>	<u>(0.04)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		46,751	54,808
Right-of-use assets		14,455	19,777
Intangible assets		–	2,857
Interest in an associate		91	–
Long-term prepayments		1,135	2,156
Restricted cash		–	3,219
		<u>62,432</u>	<u>82,817</u>
Current assets			
Inventories	<i>10</i>	122,035	90,723
Trade receivables	<i>11</i>	34,957	32,531
Financial assets at fair value through other comprehensive income		15,091	7,680
Prepayments, deposits and other receivables		14,287	11,217
Pledged bank deposits		–	3,418
Restricted cash		5,626	2,373
Cash and cash equivalents		71,359	84,967
		<u>263,355</u>	<u>232,909</u>
Total assets		<u><u>325,787</u></u>	<u><u>315,726</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,966	3,281
Deferred income		2,669	–
Deferred tax liabilities		–	1,291
		<u>6,635</u>	<u>4,572</u>
Current liabilities			
Trade payables	<i>12</i>	13,052	12,252
Bill payables	<i>12</i>	–	3,418
Accruals and other payables		10,279	8,018
Contract liabilities		82,323	43,968
Deferred income		308	–
Lease liabilities		1,966	510
Income tax payables		3,703	7,552
		<u>111,631</u>	<u>75,718</u>
Total liabilities		<u><u>118,266</u></u>	<u><u>80,290</u></u>
Net assets		<u><u>207,521</u></u>	<u><u>235,436</u></u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the Company		
Share capital	31,423	31,423
Reserves	176,098	190,024
	<u>207,521</u>	<u>221,447</u>
Non-controlling interests	–	13,989
	<u>207,521</u>	<u>235,436</u>
Total equity	207,521	235,436
	<u>207,521</u>	<u>235,436</u>
Total equity and liabilities	325,787	315,726
	<u>325,787</u>	<u>315,726</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, an executive director and the Chairlady of the Company (the “**Controlling Shareholder**”).

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

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

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

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

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

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments ³
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

3. REVENUE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	34,373	44,221
• Honey-comb DeNOx catalysts	18,310	13,145
• DeNOx catalysts for vehicles	18,777	7,410
	<u>71,460</u>	<u>64,776</u>

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

4. OTHER GAINS (LOSSES), NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants (<i>note</i>)	937	495
Gains on disposal of property, plant and equipment, net	61	–
Write-off of property, plant and equipment	–	(2,953)
Net foreign exchange (losses) gains	(322)	111
Others	37	–
	<u>713</u>	<u>(2,347)</u>

Note: During the year ended 31 December 2021, the Group received a government subsidy of approximately RMB3,080,000 (2020: nil) for acquisition of machineries, which has been treated as deferred income and is amortised to profit or loss over the useful lives of the related machineries. This policy has resulted in a credit to profit or loss in the current period of approximately RMB103,000 (2020: nil).

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

5. FINANCE INCOME/FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income		
Interest income on cash and cash equivalents, restricted cash and pledged bank deposits	<u>87</u>	<u>265</u>
Finance costs		
Interest expenses on lease liabilities	(279)	(138)
Interest expenses on discounted bills	<u>-</u>	<u>(4)</u>
	<u>(279)</u>	<u>(142)</u>

6. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC Enterprise Income Tax:		
Current year	<u>-</u>	<u>259</u>
	<u>-</u>	<u>259</u>
Deferred taxation:		
Current year	<u>-</u>	<u>(259)</u>
	<u>-</u>	<u>-</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 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 years ended 31 December 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 (“Beijing Denox”) and Gu’an Denox Environmental Equipment Manufacturing Co., Ltd, (“Gu’an Denox”) were accredited as high-tech enterprises. They are entitled to the preferential tax rate of 15% for the year ended 31 December 2020. For the year ended 31 December 2021, Gu’an Denox successfully extended its qualification of high-tech enterprise while Beijing Denox is subject to a tax rate of 25%.

No provision for PRC Enterprise Income Tax has been made as the Group did not have any assessable profit subject to PRC Enterprise Income Tax for the year ended 31 December 2021.

7. LOSS FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors' emoluments	1,138	1,114
Other staffs' wages, salaries and bonuses	15,417	15,969
Other staffs' retirement benefits scheme contributions	2,703	1,193
Other staffs' welfare and allowance	<u>1,194</u>	<u>943</u>
Total employee benefits expenses	<u><u>20,452</u></u>	<u><u>19,219</u></u>
Auditor's remuneration	788	845
Depreciation of property, plant and equipment	4,500	4,943
Depreciation of right-of-use assets	2,426	1,248
Amortisation of intangible assets	354	901
Net foreign exchange losses (gains)	322	(111)
Impairment loss recognised in respect of trade receivables, net	486	448
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	–	1,532
Impairment loss recognised in respect of right-of-use assets (included in administrative expenses)	–	98
Write-down of (reversal of write-down) inventories (<i>note</i>)	824	(23)
Amount of inventories recognised as an expense	<u><u>58,413</u></u>	<u><u>49,109</u></u>

Note: During the year ended 31 December 2021, write-down of inventories of approximately RMB824,000 (2020: nil) was made for obsolete inventories that no longer suitable for use in production or saleable in the market. During the year ended 31 December 2020, reversal of write-down of inventories of approximately RMB23,000 (2021: nil) was made due to the sellout of inventories written off in previous year.

8. LOSS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(12,296)</u>	<u>(21,027)</u>
	Number of shares '000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>494,037</u>	<u>494,037</u>

The diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

10. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	20,467	14,428
Work-in-progress	1,262	2,810
Finished goods	22,208	19,950
Goods in transit	<u>78,098</u>	<u>53,535</u>
	<u>122,035</u>	<u>90,723</u>

During the year ended 31 December 2021, write-down of inventories of approximately RMB824,000 (2020: nil) was recognised and included in cost of sales for obsolete inventories that no longer suitable for use in production or saleable in the market. During the year ended 31 December 2020, reversal of write-down of inventories of approximately RMB23,000 (2021: nil) was made due to the sellout of inventories written off in previous year.

11. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	38,791	35,879
Less: allowance for impairment of trade receivables	<u>(3,834)</u>	<u>(3,348)</u>
	<u>34,957</u>	<u>32,531</u>

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to RMB38,791,000 (2020: RMB35,879,000).

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	18,332	16,234
1 year to 2 years	7,951	11,454
2 years to 3 years	7,413	3,937
Over 3 years	<u>1,261</u>	<u>906</u>
	<u>34,957</u>	<u>32,531</u>

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

12. TRADE AND BILL PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	13,052	12,252
Bill payables	<u>—</u>	<u>3,418</u>
	<u>13,052</u>	<u>15,670</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 6 months	12,960	15,434
6 months to 1 year	—	55
1 year to 2 years	45	134
Over 2 years	<u>47</u>	<u>47</u>
	<u>13,052</u>	<u>15,670</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES

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

THE COMPANY'S MANAGEMENT ANALYSIS REPORT FOR 2021 AND OUTLOOK ON THE WORK FOR 2022

I. Work overview of the Company for 2021

In 2021, the global economy still suffered the continuous impact of the COVID-19 pandemic. At the same time, western countries led by the United States continued to put pressure on China in the economic field. Under such circumstance, China's macro economy remained stable overall, and the Company's major customers in thermal power and other industrial fields, as well as in the vehicle industry, also experienced certain changes in 2021.

(I) Traditional plate-type and honeycomb DeNOx catalysts

1. Current market situation

(1) Electric power field

With the adjustment of the national energy policy and the introduction of the policies on "peak carbon dioxide emissions" and "carbon emission reduction", the new catalyst market in the thermal power industry continued to operate at a low level, which mainly derived from the normal catalyst replacement. In addition to thermal power, gas-fired power generation and biomass power generation are the ways of power generation encouraged by the state, but the overall market size is limited.

(2) Other industrial sectors

The cement industry is a key sector for catalyst sales in addition to thermal power industry, and the major competitors are seizing the opportunities to gain a firm foothold in the industry. In addition, the DeNOx catalysts used in the cement industry are very different from those for other industries in terms of operating environment and technical parameters, which poses a great challenge to the reliability of product performance. Up to now, whether to apply plate-type or honeycomb catalysts in mainstream technical route has not been completely determined. Markets in other industries such as metallurgy, alumina and glass remain stable.

In general, the DeNOx catalysts market in the industrial field has entered a stage of steady development, and the gross profit of the products will remain at the average level of that of the manufacturing industry for a long term. Currently, all competitors are concentrating their efforts on market expansion, cost reduction and quality assurance. The competition among manufacturers will depend on the comprehensive strength.

2. *The Company's key work on plate-type and honeycomb DeNOx catalyst products*

(1) Marketing and after-sale services

In 2021, the Company further enhanced the marketing efforts. As of 31 December 2021, the Company completed catalyst technical solutions for 560 projects, submitted 141 official bids with customers such as power generation companies and local power plants, and entered into a total of 65 supply contracts. As at the end of December 2021, the Company completed the initial acceptance of 17 generation units in 12 power plants, and completed the final acceptance of 2 generation units in 1 power plant and the recovery of all contract payments for other 27 projects.

In 2021, the Company made great progress in the following marketing efforts:

- a) The Company obtained two orders from cement industry, and adopted a unique plate-type + honeycomb solution, which laid a foundation for the Company to promote its unique solutions with market competitiveness in the cement industry in the future;
- b) The Company achieved breakthroughs in new industrial fields such as low-temperature catalysts for glass kilns, sintering machines, solid waste incinerators, and refractory tunnel kilns;
- c) After a year of cultivation in 2020, the Company made great achievements in honeycomb catalysts market in 2021, and the number of contracts for honeycomb catalysts achieved a substantial growth. After about 3 years of development, the contractual business of honeycomb catalysts could be comparable to and has shown a tendency to catch up further and surpass that of plate-type catalysts, which demonstrates the Company's justifiable decision to switch to honeycomb catalysts business in a timely manner in the industrial sector;

d) The Company greatly strengthened the team building of marketing personnel, and focused on cultivating young backbone personnel. Among them, some young sales staff grew rapidly and quickly became the backbone of marketing team within one year or so after joining the marketing department, and individually and independently obtained sales orders of more than RMB10 million in 2021, which set an example for the entire marketing team and greatly stimulated the work enthusiasm of colleagues.

(2) Product manufacturing

In 2021, the overall production situation remained stable, and the equipment used for the production of honeycomb catalysts reached the designed capacity. As at the end of December 2021, the Company has produced more than 8,000 m³ of catalysts throughout the year. In 2021, the prices of main bulk raw materials, including titanium dioxide and steel, fluctuated and rose significantly. The Company vigorously strengthened process optimization and improved personnel productivity, therefore, the plate-type catalysts still maintained relatively satisfactory gross profit level. 2021 was the first year for the Company to carry out formal mass production of honeycomb catalysts, thus the gross profit level was relatively low due to the impact of low qualification rate. It is expected that the gross profit level of honeycomb catalysts will increase in 2022 as the Company's honeycomb catalysts production process becomes mature and the quality becomes stable.

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

1. After unremitting efforts on research and development and being strictly tested by customers, the Company has officially obtained bulk orders for its China VI catalyst products for natural gas-powered vehicles. The Company has already begun bulk supply to United Power, and the product quality remains stable.
2. The Company continuously strengthened marketing and technical exchanges, continued to conduct product technical exchanges with Yuchai Power, FAW Group and other companies, and provided product samples for testing many times. The Company strives for breakthroughs in developing new customers and catalysts used for other vehicle models as soon as possible.
3. Like other vehicle parts and components, the China VI vehicle catalysts industry possesses high technology content and capital occupation. In 2021, the Company continued to recruit technical research and development personnel specializing in professional catalysts, and increased research and development investment.

(III) Other important work

1. Disposal of 51% equity interest in Wuxi Denox

In 2016, the Company acquired 51% equity interest in Wuxi Denox, which ensured the stable supply of stainless steel mesh, the main raw material for plate-type catalysts of the Company. However, the factory of Wuxi Denox failed to fully utilize its production capacity with the passage of time. Although Wuxi Denox achieved slight profit, the overall rate of return was not high. Since the second half of 2020, after making a lot of preparations, the Company has fully negotiated and communicated with the minority shareholders of Wuxi Denox, and successfully completed the equity transfer in the first quarter of 2021. The proceeds received by the Company from the equity transfer were used to replenish the Company's working capital. In addition, since the Company has mastered the key meshing technology and meshing equipment manufacturing technology, through producing steel meshes on its own, the Company can further reduce the manufacturing cost of plate-type catalysts. For details, please refer to the announcement of the Company dated 8 March 2021.

2. Transfer of a production line for plate-type catalysts to ESKO, a South Korean company

The Company had 3 production lines for plate-type catalysts with an actual production capacity of more than 25,000 m³ per year, exceeding the Company's production needs in the foreseeable future. After careful consideration, the Company agreed to sell one of the production lines (the Company has been using the production line for about 5 years) to ESKO, a South Korean company at a consideration of RMB3.7 million. There is no business competition between the South Korean company and the Company, and the disposal has further supplemented the Company's liquidity.

II. Key work arrangements of the Group for 2022

(I) Plate-type and honeycomb DeNOx catalysts

1. Under the circumstance that the production of traditional plate-type and honeycomb products are completely stable, the Company will further reinforce market expansion in 2022, and formulate competitive sales incentive policies in the industry with an aim to further increase sales in the coming year.
2. Product cost control will never stop. While continuing to stabilize the gross profit of plate-type catalyst products, the Company will further improve the gross profit level of honeycomb catalysts. At the same time, the Company will rely on DingTalk, an office software, and ERP management system, to further enhance daily management and production management to generate benefits from management.

(II) Vehicle catalyst related products

1. Research and development

Due to the standard switching and the requirements of engine manufacturers for cost reduction, the upgrading of vehicle catalyst products has been accelerated, which requires catalyst manufacturers to continuously develop technology. In 2022, the Company will continue to strengthen the research and development of catalysts and related products used for natural gas-powered vehicles and diesel-powered vehicles under the China VI standard.

2. Market development

Although the Company officially secured bulk orders for natural gas catalysts in the first half of 2021, the overall situation was quite different from the Company's expectations. In the second half of 2021, due to the sharp rise in natural gas prices and the significant fluctuations in precious metal prices, the sales of natural gas-powered vehicles in the second half of the year declined dramatically, which had a great impact on the Company. The implementation of China VI emission standards for diesel-powered vehicles has been postponed again and again for various reasons, and the localization process of China VI catalysts for diesel-powered vehicles has also been greatly affected. Therefore, in 2022, the Company will comprehensively evaluate the market trends of the traditional industrial catalyst business and the vehicle catalyst business again to balance the investment of resources such as capital and personnel in the two segments.

(III) Other key work

In 2022, according to the changes of the overall market and competitors in the industry, the Company will consider an extensional development method while carrying out self-sustaining development, for which the Company will further define the core competitiveness of its principal business products and consider establishing closer cooperation with major customers in the industry in due course.

FINANCIAL REVIEW

Revenue from contracts with customers

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

	2021		2020	
	RMB'000	%	RMB'000	%
Plate-type DeNOx catalysts	34,373	48.1	44,221	68.3
Honey-comb DeNOx catalysts	18,310	25.6	13,145	20.3
DeNOx catalysts for vehicles	18,777	26.3	7,410	11.4
	<u>71,460</u>	<u>100.0</u>	<u>64,776</u>	<u>100.0</u>

The Group recorded a total revenue of approximately RMB71.5 million in 2021, representing an increase of 10.3% as compared to approximately RMB64.8 million in 2020.

Revenue generated from sales of plate-type DeNOx catalysts decreased to approximately RMB34.4million, representing a decrease of 22.3% as compared to approximately RMB44.2 million of the same period in 2020, which was primarily attributable to fluctuations in market demand. The average selling price of plate-type DeNOx catalysts per m³ increased by approximately 8.9% from RMB10,435 per m³ in 2020 to RMB11,362 per m³ in 2021, while the sales volume of plate-type DeNOx catalysts decreased by approximately 11.9% from 4,304 m³ in 2020 to 3,791 m³ in 2021. The plate-type DeNOx catalysts market was mainly derived from power plant customers.

Revenue generated from sales of honey-comb DeNOx catalysts increased by 39.3% from approximately RMB13.1 million for the same period in 2020 to approximately RMB18.3 million, mainly due to fluctuations in market demand. The average selling price of honey-comb DeNOx catalysts per m³ decreased by approximately 17.4% from RMB17,244 per m³ in 2020 to RMB14,239 per m³ in 2021, and the sales volume of honey-comb catalysts increased by approximately 99.2% from 652 m³ in 2020 to 1,299 m³ in 2021. The honey-comb DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc.

In 2021, the Group recorded a revenue from sales of DeNOx catalysts for vehicles of approximately RMB18.8 million. Due to the China VI standards executed by China, the total sales volume of China V standard products was limited. The Group will continue to promote the research and development and trial production of China VI catalyst and related products.

Gross profit

In 2021, the Group recorded a gross profit of approximately RMB12.2 million due to the rebound of the selling price of plate-type DeNO_x catalysts and the increase in the sales volume of honey-comb DeNO_x catalysts. In 2020, the Group recorded a gross profit of approximately RMB15.7 million as a result of continued vicious market competition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation cost, consulting service expenses and employee benefit expenses, etc. The Group's sales and marketing expenses increased in 2021 as compared to 2020, mainly due to the increased marketing efforts on honey-comb products, representing 14.0% and 18.6% of the Group's total revenue from contracts with customers in 2020 and 2021, respectively.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation. The Group's administrative expenses increased by 11.9% from approximately RMB18.1 million in 2020 to approximately RMB20.2 million in 2021 which was primarily attributable to the increase in staff salaries and social insurance expenses.

Finance income/costs

Finance income includes interest income on cash and cash equivalents and restricted cash. Finance costs includes interest expenses on lease liabilities.

Loss attributable to the owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company decreased by 41.5% from approximately RMB21.0 million in 2020 to approximately RMB12.3 million in 2021.

Other performance indicators

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

	As at or for the year ended	
	31 December	
	2021	2020
Current Ratio (<i>Note 1</i>)	2.4 times	3.1 times
Quick Ratio (<i>Note 2</i>)	1.3 times	1.9 times
Return on equity (<i>Note 3</i>)	N/A	N/A
Return on total assets (<i>Note 4</i>)	N/A	N/A

Notes:

- (1) Current ratio is calculated based on total current assets of the Group divided by total current liabilities of the Group as at the end of the respective year.
- (2) Quick ratio is calculated based on total current assets of the Group less inventories of the Group divided by total current liabilities of the Group as at the end of the respective year.
- (3) Return on equity is calculated by dividing income attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company.
- (4) Return on total assets is calculated by dividing income attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total assets of the Group.

Current ratio and quick ratio

The Group's current ratio decreased from 3.1 times as at 31 December 2020 to 2.4 times as at 31 December 2021 and quick ratio decreased from 1.9 time as at 31 December 2020 to 1.3 times as at 31 December 2021. Such decrease was mainly due to the increase in down payment from customers of approximately RMB44.0 million as at 31 December 2020 to approximately RMB82.3 million as at 31 December 2021 because more sales contracts were awarded in the second half of 2021.

Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2020 and 2021, as it has recorded a loss attributable to the owners of the Company for the years ended 31 December 2020 and 2021.

Liquidity and Capital Resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 31 December 2021, the Group had net current assets of approximately RMB151.7 million (2020: approximately RMB157.2 million) of which cash and cash equivalents were approximately RMB71.4 million (2020: approximately RMB85.0 million) and were denominated in RMB, US\$, HK\$ and Euro€ as at 31 December 2021.

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

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2020 and 31 December 2021.

Use of net proceeds from the Listing

As at 31 December 2021, net proceeds not utilised of approximately RMB29.5 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 <i>RMB'million</i>	New allocation of net proceeds <i>(note 1)</i> <i>RMB'million</i>	Amount utilized during the year ended 31 December 2021 <i>RMB'million</i>	Amount unutilized during the year ended 31 December 2021 <i>RMB'million</i>	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) <i>(note 2)</i>
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	75.1	3.5	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

Purposes	Original allocation of net proceeds as stated in the prospectus	New allocation of net proceeds (note 1)	Amount utilized during the year ended 31 December 2021	Amount unutilized during the year ended 31 December 2021	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) (note 2)
	RMB'million	RMB'million	RMB'million	RMB'million	
Research and development	17.1	17.1	15.6	1.5	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	5.6	1.3	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	19.8	23.2	Fourth quarter of 2024
Total	<u>171.0</u>	<u>171.0</u>	<u>141.5</u>	<u>29.5</u>	

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.

Borrowings

The Group had no outstanding bank loans and other borrowings as at 31 December 2020 and 2021.

Pledge of Assets

Except for pledged bank deposits of RMB3.4 million as at 31 December 2020, the Group had no other pledged assets as at 31 December 2020 and 2021.

Capital expenditure

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the year ended 31 December 2021, the Group had invested approximately RMB4.5 million for the purchase of property, plant and equipment (2020: approximately RMB24.3 million). These capital expenditures were financed by internal resources of the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020 and 2021.

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.* (“**Beijing Denox**”) (北京迪諾斯環保科技有限公司), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase 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 of the Company for other material investments or additions of capital assets of the Group at the date of this announcement.

Employees

As at 31 December 2021, the Group had 171 employees (2020: 206). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the directors, senior management and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Please refer to the section headed "Share Option Scheme" for details. The Group's growth is dependent upon the skills and dedication of employees. The Group recognises the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Important events affecting the Group after the Reporting Period

No important events affecting the Group has taken place since 31 December 2021 and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 24 June 2022 (the “**Annual General Meeting**”), the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 of the the Rules Governing the listing of Securities in the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period and up to the date of this report.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period and up to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code with the exception of code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) as set out below.

According to code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) of the CG Code, the role of the chairman and chief executive of the Company should be separate and should not be performed by the same individual. In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Ms. Zhao Shu, who is also the chairlady of the Company; and (b) Ms. Zhao Shu is the chairlady of the Group and has extensive experience in the business operation and management in general, there is no separation of the roles of the chairlady and the chief executive officer of the Company. Given the current stage of the development of the Group, the Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company.

In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Ms. Zhao Shu, as both the chairman and chief executive officer of our Group. Our Board currently comprises two executive Directors (including Ms. Zhao Shu), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

REVIEW BY THE AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2021 in conjunction with the Company's auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditor SHINEWING (HK) CPA Limited ("**Shinewing**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Shinewing in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Shinewing on the preliminary announcement.

PUBLICATION OF 2021 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.china-denox.com) and the Stock Exchange's website (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2021 and notice of the forthcoming annual general meeting will be made available on the websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in April 2022.

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

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Ms. Zhao Shu and Mr. Li Ke as executive Directors; Mr. Li Xingwu as non-executive Directors; and Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei as independent non-executive Directors.