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**DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED**

**迪諾斯環保科技控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1452)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Denox Environmental & Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with comparative figures for the corresponding period of 2022 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	52,289	34,844
Cost of sales		<u>(42,661)</u>	<u>(28,443)</u>
<b>Gross profit</b>		<b>9,628</b>	<b>6,401</b>
Selling and marketing expenses		(9,802)	(5,880)
Administrative expenses		(10,636)	(9,495)
Other gains, net	5	1,204	620
Share of result of an associate		7	11
Finance income	6	62	55
Finance costs	6	<u>(245)</u>	<u>(152)</u>
<b>Loss before tax</b>		<b>(9,782)</b>	<b>(8,440)</b>
Income tax expense	7	<u>-</u>	<u>-</u>
<b>Loss for the period</b>		<b><u>(9,782)</u></b>	<b><u>(8,440)</u></b>
<b>Other comprehensive income</b>			
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>1,960</u>	<u>2,278</u>
<b>Other comprehensive income for the period</b>		<b><u>1,960</u></b>	<b><u>2,278</u></b>
<b>Total comprehensive expense for the period</b>		<b><u>(7,822)</u></b>	<b><u>(6,162)</u></b>
<b>Loss per share</b>	8		
Basic and diluted (RMB per share)		<b><u>(0.020)</u></b>	<b><u>(0.017)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		40,270	43,004
Right-of-use assets		9,179	10,042
Interest in an associate		115	108
Long-term prepayments		–	351
Restricted cash		470	–
		<b>50,034</b>	53,505
<b>Current assets</b>			
Inventories	<i>10</i>	182,530	160,950
Trade receivables	<i>11</i>	19,102	15,502
Financial assets at fair value through other comprehensive income		1,950	4,398
Prepayments, deposits and other receivables		12,254	7,402
Restricted cash		1,476	2,600
Bank deposits with original maturity over three months		47,777	46,025
Bank balances and cash		23,022	24,017
		<b>288,111</b>	260,894
<b>Total assets</b>		<b>338,145</b>	314,399

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>NOTES</i>	<b>30 June 2023</b>	31 December 2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		2,191	1,675
Deferred income		<u>2,207</u>	<u>2,361</u>
		<u>4,398</u>	<u>4,036</u>
<b>Current liabilities</b>			
Trade payables	12	29,223	11,217
Accruals and other payables		6,018	7,886
Contract liabilities		113,237	97,307
Deferred income		308	308
Lease liabilities		405	1,267
Tax payables		<u>3,703</u>	<u>3,703</u>
		<u>152,894</u>	<u>121,688</u>
<b>Total liabilities</b>		<u><u>157,292</u></u>	<u><u>125,724</u></u>
<b>Net assets</b>		<u><u>180,853</u></u>	<u><u>188,675</u></u>
<b>EQUITY</b>			
<b>Equity</b>			
Share capital		31,423	31,423
Reserves		<u>149,430</u>	<u>157,252</u>
<b>Total equity</b>		<u><u>180,853</u></u>	<u><u>188,675</u></u>
<b>Total equity and liabilities</b>		<u><u>338,145</u></u>	<u><u>314,399</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 Act 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 (the “**Stock Exchange**”).

Items included in the condensed consolidated interim 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 condensed consolidated interim 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\$**”).

These condensed consolidated interim financial statements were approved by the board of directors of the Company for issue on 30 August 2023.

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

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have 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. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

### 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022 except as described below.

In the current interim reporting period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

The application of the new and amendments to IFRSs in the current interim reporting period has had no material impact 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 statements.

### 4. REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	<b>7,195</b>	28,236
• Honey-comb DeNOx catalysts	<b>30,780</b>	5,950
• DeNOx catalysts for vehicles	<b>14,314</b>	658
	<b><u>52,289</u></b>	<u>34,844</u>

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

## 5. OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Government grants ( <i>note</i> )	224	207
Net foreign exchange gains	537	463
Gain on disposal of property, plant and equipment, net	5	–
Write-off of property, plant and equipment	–	(68)
Others	438	18
	<u>1,204</u>	<u>620</u>

*Note:* In the year ended 31 December 2021, the Group received a government subsidy of approximately RMB3,080,000 for acquisition of machineries, which was treated as deferred income and is amortised to profit or loss over the useful lives of the related machineries. This policy resulted in a credit to profit or loss in the current interim reporting period of approximately RMB154,000 (six months ended 30 June 2022: RMB154,000).

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.

## 6. FINANCE INCOME/FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Finance income</b>		
Interest income on bank balances and cash, restricted cash and bank deposits with original maturity over three months	<u>62</u>	<u>55</u>
<b>Finance costs</b>		
Interest expenses on lease liabilities	(56)	(152)
Interest expenses on bill payables	(189)	–
	<u>(245)</u>	<u>(152)</u>

## 7. INCOME TAX EXPENSE

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 2023 and 2022.

No provision for Hong Kong Profits Tax of 16.5% 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 2023 and 2022.

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 subsidiary, Gu’an Denox Environmental Equipment Manufacturing Co., Ltd (“**Gu’an Denox**”), was accredited as high-tech enterprise. It is entitled to the preferential tax rate of 15% for the six months ended 30 June 2023 and 2022.

No provision for PRC Enterprise Income Tax has been made as the Group did not have any taxable profits subject to PRC Enterprise Income Tax for the six months ended 30 June 2023 and 2022.

## 8. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u><b>(9,782)</b></u>	<u><b>(8,440)</b></u>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
	<b>’000</b>	<b>’000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>494,037</b></u>	<u><b>494,037</b></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 six months ended 30 June 2023 and 2022.



## 9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2022: nil).

## 10. INVENTORIES

	<b>30 June 2023</b>	31 December 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Raw materials	<b>15,994</b>	17,363
Work-in-progress	<b>7,169</b>	695
Finished goods	<b>27,535</b>	26,354
Goods in transit	<b>131,832</b>	116,538
	<b><u>182,530</u></b>	<u>160,950</u>

During the six months ended 30 June 2023, the cost of inventories recognised as expenses and included in “cost of sales” amounted to approximately RMB42,661,000 (six months ended 30 June 2022: RMB28,443,000).

## 11. TRADE RECEIVABLES

	<b>30 June 2023</b>	31 December 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>21,705</b>	18,633
Less: allowance for impairment of trade receivables	<b><u>(2,603)</u></b>	<u>(3,131)</u>
	<b><u>19,102</u></b>	<u>15,502</u>

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 interim reporting period.

	<b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	<b>11,101</b>	8,267
1 year to 2 years	<b>6,655</b>	4,842
2 years to 3 years	<b>63</b>	1,755
Over 3 years	<b>1,283</b>	638
	<u><b>19,102</b></u>	<u>15,502</u>

## 12. TRADE PAYABLES

	<b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Trade payables	<b>29,223</b>	11,217

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

	<b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within 6 months	<b>20,927</b>	8,183
6 months to 1 year	<b>1,545</b>	1,791
1 year to 2 years	<b>6,670</b>	1,134
Over 2 years	<b>81</b>	109
	<u><b>29,223</b></u>	<u>11,217</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Company is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of DeNOx catalysts in the PRC.

During the 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 2023 and Outlook on the Work for the Second Half of 2023**

#### *I. Work overview of the Company for the first half of 2023*

The year-on-year gross domestic product (GDP) growth of China in the first half of 2023 calculated at constant price was 5.5%. Overall, in the first half of 2023, with the economy and society returning to normal operations, the macro-policies have been effective, the national economy has rebounded and improved, and the high-quality development has been steadily progressed. At the same time, however, we can see that the world political and economic situation remains complex, and the foundation for sustained recovery and development of the domestic economy is still not solid.

##### *(I) Industrial plate-type and honey-comb catalysts business*

###### 1. Current market situation

- (1) The market demand from catalysts for newly added units in the thermal power industry continued to decrease, and the market for normal replacement of catalysts in the existing units remains stable.
- (2) The higher technical requirements for catalyst products from catalyst market in metallurgy, coking, cement, gas turbine, waste-to-energy, petrochemical and other industries, scattered projects and smaller individual contract amount, which pose challenges for the Group.
- (3) The catalyst market in general is still in a stage of overcapacity and fierce competition. However, the Group also sees that in some industries and for some types of catalysts, there is still lack of mature engineering experience for catalyst technology worldwide, which also brings new development opportunities for catalyst enterprises with strong technical strength.

## 2. The Group's key work on plate-type and honey-comb catalyst products

### (1) Marketing and after-sale services

In the first half of 2023, the Group completed a total of 433 customer enquiries for catalysts and technical support tasks, completed 133 formal bids for thermal power plants and other industrial customers, and signed 64 catalyst supply contracts. Overall, the marketing for Group's industrial catalyst segment is very demanding, and the total contract value in the first half of the year continued to increase year-on-year.

The notable achievement in the marketing expansion work of the Group in the first half of 2023 includes:

- The Group has strengthened its sales of catalysts in overseas markets, with the number of export reaching a record high of 5 projects in the first half of the year, the highest level over the years;
- Further breakthroughs made in the wide-temperature plate-type catalyst project, and the Group' catalyst products are expandable to a wider temperature span interval;
- Honey-comb DeNO<sub>x</sub> catalysts made a breakthrough in Baowu Iron and Steel Group, and the products of the Group has officially entered the China's largest iron and steel conglomerate, which will lay a solid foundation for the Group's future development in the iron and steel industry; and
- The application of Honey-comb DeNO<sub>x</sub> catalysts in biomass boiler has further developed, leading to the successful commercialization of low-temperature catalyst in the market.

(2) Product manufacturing

In the first half of 2023, the production of industrial honey-comb and plate-type catalyst products remained relatively stable as compared to the same period of last year, with a total of 46 orders completed, among which the production of honey-comb catalyst products exceeded that of plate-type catalyst, accounting for 57% (compared to 36% of honey-comb catalysts in the first half of 2022). The production of honey-comb catalysts will continue to surpass the plate-type catalysts in the future. This trend is in line with the market demand for honey-comb catalysts in the industrial sector, which also indicates that the Group's decision to focus on producing industrial honey-comb catalysts products is correct. As some of the Company's honey-comb catalysts in the first half of the year were multi-pore and thin-walled items, which required more labor and production time, the overall saturation and operating rate of production tasks in the first half of the year continued to improve as compared to 2022.

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

In the first half of 2023, the recovery of the macro economy also led to a rebound in the vehicle sector, with the sales of commercial vehicles showing a certain degree of year-on-year growth, and the market for the upstream industry chain of vehicles, including engine, exhaust emission system, catalyst, and carrier manufacturers, is also in the progress of recovery.

1. In the first half of the year, the Group experienced a good recovery in the orders from coating products of original equipment manufacturer (“OEM”) customers in the field of diesel vehicles, resulting in a substantial increase in the capacity utilization rate of the Company, however, whether its orders can be maintained in the second half of the year depends on the sustainability of market recovery.
2. While maintaining and expanding customers in the OEM market, the Group also continued to invest in the vehicle after-sales market and other markets, and obtained small sales orders in the first half of the year.

In the first half of the year, the production of vehicle coated catalysts increased significantly compared to the same period of last year due to the rebound in orders, while the Group continued to optimize its production processes and formulations to enhance the gross profit level of its products as much as possible.

## ***II. Key work arrangements of the Group for the second half of 2023***

### ***(I) Industrial DeNOx catalysts Business***

1. The Group's sales in the industrial catalysts sector continued to maintain a good development trend in the first half of the year, and in the second half of the year, the Group will continue to strengthen the sales of catalysts in more industries in the industrial field and continue to strengthen the overseas sales of its products, aiming to strive to achieve a new breakthrough in the sales of its products in 2023.
2. The Group will continue to benchmark against outstanding companies in the same industry, reduce the manufacturing costs of its products by means of upgrading production technology, equipment transformation and optimizing the piece-rate wage system for front-line production staff, with an aim to increasing the gross profit level of its products by every possible means.

### ***(II) Catalyst products for China VI Emission Standards for natural gas-powered vehicles and diesel-powered vehicles***

At present, the competition pattern of catalysts market for China VI Emission Standards for natural gas-powered and diesel-powered vehicles is becoming clearer, in which the process of replacing imported products with natural gas catalyst products of domestic enterprises is progressing rapidly, and the replacement of imported products with catalysts for diesel-powered vehicles is still ongoing and will take some time, but the overall trend is irreversible. The Group's vehicle catalyst business will adapt to the changes in the industry, and while controlling costs and expenses, we will endeavor to maintain the orders from existing customers and continue to strive to develop new OEM and aftermarket customers.

### ***(III) Strengthen the Group's technical research and development***

In the first half of the year, the Group integrated the technology research and development departments of industrial catalysts and vehicle catalysts to further strengthen the Group's technical research and development capabilities. In the second half of the year, the Group will further strengthen its technical research and development in a market-oriented manner, and strive to achieve significant technological breakthroughs in emerging industries and catalyst products, so as to better support the Group's marketing and product production.

## 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 vehicles in absolute amount and as percentages of total revenue for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	Renminbi ("RMB") '000	%	Renminbi ("RMB") '000	%
Plate-type DeNOx catalysts	7,195	13.8	28,236	81.0
Honey-comb DeNOx catalysts	30,780	58.9	5,950	17.1
DeNOx catalysts for vehicles	14,314	27.3	658	1.9
Total	<u>52,289</u>	<u>100.0</u>	<u>34,844</u>	<u>100.0</u>

The Group recorded a total revenue of approximately RMB52.3 million for the Period, representing an increase of 50.3% as compared to approximately RMB34.8 million of the same period in 2022.

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 decreased to approximately RMB7.2 million, representing a decrease of 74.5% as compared to approximately RMB28.2 million of the same period in 2022, which was primarily attributable to the decrease in the average selling price and sales volume of plate-type DeNOx catalysts during the Period.

The honey-comb DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants. Revenue generated from sales of honey-comb DeNOx catalysts for the Period increased to approximately RMB30.8 million, representing an increase of 413.3% as compared to approximately RMB6.0 million of the same period in 2022, which was primarily attributable to the significant increase in sales volume of honey-comb DeNOx catalysts during the Period.

During the Period, the Group recorded a revenue from sales of DeNOx catalysts for vehicles in approximately RMB14.3 million with an increase of 1,942.9% as compared with the revenue of approximately RMB0.7 million in the same period in 2022.

## **Gross profit**

During the Period, the Group recorded a gross profit of approximately RMB9.6 million which resulted from the selling price rebound of honey-comb DeNOx catalysts. During the Period, the Group recorded a gross profit of approximately RMB6.4 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, resulting in an increase in marketing expenses. Due to the greater effort in customer development during the Period, the number of new contracts increased remarkably, and new shipments also increased, resulting in an increase in transportation expenses, consulting and business expenses and travel expenses for the Period. As a whole, the Group's selling and marketing expenses increased by 66.1% to approximately RMB9.8 million for the Period from approximately RMB5.9 million of the same period in 2022.

## **Administrative expenses**

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation, research and development expenses and professional fees. During the Period, the Group's administrative expenses amounted to approximately RMB10.6 million, which increased by 11.6% when compared with approximately RMB9.5 million of the same period in 2022, mainly due to the increase in employee benefit expenses, depreciation and amortisation and professional fees, etc.

## **Finance (costs)/income**

Finance costs include interest expenses on lease liabilities and bill payables. Finance income includes interest income on bank balances and cash, restricted cash and bank deposits with original maturity over three months. The Group recorded net finance costs of approximately RMB0.2 million for the Period while it recorded net finance cost of approximately RMB0.1 million in the same period in 2022.

## **Loss for the period**

As a result of the aforementioned major factors, the loss attributable to the owners of the Company for the Period amounted to approximately RMB9.8 million while the loss for the period amounted to approximately RMB8.4 million in the same period in 2022.

## **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 2023, the Group had net current assets of approximately RMB135.2 million (31 December 2022: approximately RMB139.2 million) of which cash and cash equivalents were approximately RMB23.0 million (31 December 2022: approximately RMB24.0 million) and were denominated in Renminbi, United States Dollar, Euro and Hong Kong Dollar.



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 2023 (31 December 2022: Nil) and the resulting gearing ratio was nil (31 December 2022: Nil).

## Pledge of Assets

The Group had no other pledged assets as at 31 December 2022 and 30 June 2023.

## Use of net proceeds from the Listing

As at 30 June 2023, net proceeds of the Group not utilised of approximately RMB22.5 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, taking into account the reallocations as set out in the announcements of the Company dated 28 December 2020 and 28 December 2022 respectively.

Purposes	Original allocation of net proceeds as stated in the prospectus	New allocation of net proceeds	Amount utilized up to 30 June 2023	Amount unutilized up to 30 June 2023	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation)
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>(Note 2)</i>
Development of DeNOx catalysts for diesel-powered vehicles	78.6	75.1	75.1	-	N/A
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	33.2	19.5	13.7	Fourth quarter of 2025
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	5.9	5.9	-	N/A
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	31.4	22.6	8.8	Fourth quarter of 2025
Total	<u>171.0</u>	<u>171.0</u>	<u>148.5</u>	<u>22.5</u>	

*Note 1:* The utilization of the net proceeds and the use of proceeds for unutilized amount of net proceeds from the initial global offering was updated. For details, please refer to the announcement of the Company dated 28 December 2020 and 28 December 2022 respectively.

*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.

## **Capital expenditures**

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. During the Period, the Group invested approximately RMB0.2 million (six months ended 30 June 2022: RMB2.0 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 2023, the Group had capital commitment amounted to RMB1.4 million (31 December 2022: 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 2023, the Group had capital commitment amounted to approximately RMB1.1 million (31 December 2022: RMB1.1 million) for acquisition of property, plant and equipment.

## **Contingent liabilities**

As at 30 June 2023, the Group did not have any material contingent liabilities, guarantees and litigations (31 December 2022: Nil).

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

Save as disclosed in this interim results announcement, there were no significant investments held, no material acquisitions of the Company or disposals of subsidiaries, associates and joint ventures and there was no future plan authorised by the Board for other material investments or additions of capital assets of the Group during the Period and up to the date of this interim results announcement.

## **Charges on the Group's assets**

No asset of the Group was subject to any charges as at 30 June 2023.

## **Important events affecting the Group after the Period**

Save as other disclosed in this interim results announcement, the Board is not aware of any other important events affecting the Group that have taken place subsequent to 30 June 2023 and up to the date of this interim results announcement.

## **Foreign exchange risk**

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in Renminbi, 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 Hong Kong Dollars, United States Dollars 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 2023, the Group had 185 employees (31 December 2022: 182). Remuneration of the employees of the Group amounted to RMB11.9 million for the Period (for the six months ended 30 June 2022: RMB9.7 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 2022. 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.

## **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.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2022: Nil).

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") in The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of conduct regarding directors' securities transactions. 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 has 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 C.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 2022.

## **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 qualifications 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 statements for the Period, and also discussed the accounting policies, accounting standards and practices adopted by the Group with the management.

## **PUBLICATION OF 2023 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company's website ([www.china-denox.com](http://www.china-denox.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's interim report for the six months ended 30 June 2023 will be available on the same websites and will be despatched to the Company's shareholders on or before the end of September 2023.

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

Hong Kong, 30 August 2023

*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 Director; and Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei as independent non-executive Directors.*