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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)**

**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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 2023 (the “**Reporting Period**”) together with comparative figures for the year ended 31 December 2022 as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	3	126,392	62,791
Cost of sales		<u>(101,864)</u>	<u>(49,401)</u>
<b>Gross profit</b>		<b>24,528</b>	13,390
Selling and marketing expenses		(28,688)	(15,817)
Administrative expenses		(16,778)	(17,460)
Research and development expenses		(7,476)	(5,745)
Impairment loss (recognised) reversed in respect of trade and retention receivables, net		(122)	429
Other income, gains and losses	4	1,737	1,590
Share of result of an associate		8	17
Finance income	5	1,850	321
Finance costs	5	<u>(493)</u>	<u>(256)</u>
<b>Loss before tax</b>		<b>(25,434)</b>	(23,531)
Income tax expenses	6	<u>—</u>	<u>—</u>
<b>Loss for the year</b>	7	<b><u>(25,434)</u></b>	<b><u>(23,531)</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>725</u>	<u>4,685</u>
<b>Other comprehensive income for the year</b>		<b><u>725</u></b>	<b><u>4,685</u></b>
<b>Total comprehensive expense for the year</b>		<b><u>(24,709)</u></b>	<b><u>(18,846)</u></b>
<b>Loss per share attributable to owners of the Company</b>	8		
Basic and diluted (RMB per share)		<b><u>(0.05)</u></b>	<b><u>(0.05)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>NOTES</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>37,351</b>	43,004
Right-of-use assets		<b>8,424</b>	10,042
Intangible assets		–	–
Interest in an associate		<b>116</b>	108
Long-term prepayments		<b>128</b>	351
		<u><b>46,019</b></u>	<u>53,505</u>
<b>Current assets</b>			
Inventories	<i>10</i>	<b>220,199</b>	160,950
Trade and retention receivables	<i>11</i>	<b>23,376</b>	15,502
Financial assets at fair value through other comprehensive income		<b>66</b>	4,398
Prepayments, deposits and other receivables		<b>12,658</b>	7,402
Restricted bank deposits		<b>470</b>	2,600
Bank deposits with original maturity over three months		<b>24,077</b>	46,025
Bank balances and cash		<b>44,260</b>	24,017
		<u><b>325,106</b></u>	<u>260,894</u>
<b>Total assets</b>		<u><b>371,125</b></u>	<u>314,399</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowing		<b>1,740</b>	–
Lease liabilities		<b>323</b>	1,675
Deferred income		<b>2,053</b>	2,361
		<u><b>4,116</b></u>	<u>4,036</u>

	<i>NOTES</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>23,183</b>	11,217
Accruals and other payables		<b>10,472</b>	7,886
Contract liabilities		<b>161,167</b>	97,307
Borrowing		<b>2,748</b>	–
Deferred income		<b>308</b>	308
Lease liabilities		<b>1,462</b>	1,267
Tax payables		<b>3,703</b>	3,703
		<u><b>203,043</b></u>	<u>121,688</u>
<b>Total liabilities</b>		<u><b>207,159</b></u>	<u>125,724</u>
<b>Net assets</b>		<u><b>163,966</b></u>	<u>188,675</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>31,423</b>	31,423
Reserves		<b>132,543</b>	157,252
		<u><b>163,966</b></u>	<u>188,675</u>
<b>Total equity</b>		<u><b>163,966</b></u>	<u>188,675</u>
<b>Total equity and liabilities</b>		<u><b>371,125</b></u>	<u>314,399</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 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, manufacture and sale 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 (“**IFRSs**”)

#### **New and amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (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 consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

### Amendments to IFRSs issued but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE

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

	<b>2023</b> <i>RMB'000</i>	2022 <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	<b>58,528</b>	51,945
• Honey-comb DeNOx catalysts	<b>21,143</b>	9,551
• DeNOx catalysts for vehicles	<b>46,721</b>	1,295
	<b>126,392</b>	62,791

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

#### **Transaction price allocated to the remaining performance obligations for contracts with customers**

As at 31 December 2023 and 2022, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

#### 4. OTHER INCOME, GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants ( <i>note</i> )	418	831
Loss on disposal of property, plant and equipment, net	(81)	(218)
Net foreign exchange gain	423	658
Gain on early termination of leases	–	254
Gain on lease modification	–	22
Value-added tax credit	948	–
Others	29	43
	<u>1,737</u>	<u>1,590</u>

*Note:* The Group received a government subsidy of approximately RMB3,080,000 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 year of approximately RMB308,000 (2022: RMB308,000).

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.

#### 5. FINANCE INCOME/FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Finance income</b>		
Interest income	<u>1,850</u>	<u>321</u>
<b>Finance costs</b>		
Interest expenses on lease liabilities	(114)	(256)
Interest expenses on borrowing	(30)	–
Interest expenses on discounted bills	<u>(349)</u>	<u>–</u>
	<u>(493)</u>	<u>(256)</u>



## 6. INCOME TAX EXPENSES

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 years ended 31 December 2023 and 2022.

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 2023 and 2022.

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

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiary, Gu'an Denox Environmental Equipment Manufacturing Co., Ltd, was accredited as high and new technology enterprises. It is entitled to the preferential tax rate of 15% for the years ended 31 December 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 years ended 31 December 2023 and 2022.

## 7. LOSS FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors' emoluments	828	938
Other staffs' wages, salaries and bonuses	22,844	17,817
Other staffs' retirement benefits schemes contributions	3,058	2,526
Other staffs' welfare and allowance	855	1,097
Total employee benefits expenses	<u>27,585</u>	<u>22,378</u>
Auditor's remuneration	658	604
Depreciation of property, plant and equipment	5,898	5,944
Depreciation of right-of-use assets	1,757	2,176
Expense relating to short-term lease	39	–
Amount of inventories recognised as an expense	102,134	48,971
Impairment loss (reversed) recognised on inventories included in cost of sales ( <i>note</i> )	<u>(270)</u>	<u>430</u>
	<u>101,864</u>	<u>49,401</u>

*Note:* During the year ended 31 December 2023, impairment loss reversed on inventories of approximately RMB270,000 (2022: recognised of RMB430,000) was made.

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(25,434)</u>	<u>(23,531)</u>
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
<b>Number of shares</b>		
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 2023 and 2022.

## 9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

## 10. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	16,722	17,363
Work-in-progress	6,166	695
Finished goods	24,942	26,354
Goods in transit	<u>172,369</u>	<u>116,538</u>
	<u>220,199</u>	<u>160,950</u>

During the year ended 31 December 2023, impairment loss reversed on inventories of approximately RMB270,000 (2022: recognised of RMB430,000) was made.

## 11. TRADE AND RETENTION RECEIVABLES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	<b>19,958</b>	12,109
Retention receivables	<b>6,141</b>	6,524
	<b>26,099</b>	18,633
Less: Allowance for impairment of trade and retention receivables	<b>(2,723)</b>	(3,131)
	<b>23,376</b>	15,502

As at 31 December 2023, the gross amount of trade and retention receivables arising from contracts with customers amounted to RMB26,099,000 (2022: RMB18,633,000).

Included in trade and retention receivables, amount of RMB6,141,000 (2022: RMB6,524,000) represented the receivables under retention periods.

The Group also typically agrees to a retention period ranging from 1 year to 3 years for 10% of the contract value. This amount is included in trade and retention receivables until the end of the retention period as the Group's entitlement to this final payment is conditioned on the completion of the retention period.

The Group allows a credit period of 30 days to 90 days (2022: 30 days to 90 days) to its customers. The following is an ageing analysis of trade and retention receivables, net of allowance for impairment of trade and retention receivables, presented based on the date of revenue recognition dates, at the end of the reporting period.

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	<b>20,111</b>	8,267
1 year to 2 years	<b>1,827</b>	4,842
2 years to 3 years	<b>1,125</b>	1,755
Over 3 years	<b>313</b>	638
	<b>23,376</b>	15,502

The Group measures the loss allowance for trade and retention receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade and retention receivables are estimated using a provision matrix by reference to past default experience of the debtor 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 PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>23,183</u>	<u>11,217</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 6 months	19,056	8,183
6 months to 1 year	2,115	1,791
1 year to 2 years	943	1,134
Over 2 years	<u>1,069</u>	<u>109</u>
	<u>23,183</u>	<u>11,217</u>

The average credit period on purchases is from 30 days to 60 days (2022: 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.

## 13. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023, the share subscription agreement took place on 26 January 2024 in which the Group agreed to issue 98,807,400 subscription shares at the subscription price of HK\$0.048 per share in accordance with the terms and conditions of the share subscription agreement. For details, please refer to the Company's announcement dated 26 January 2024.

## 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 PRC. During the Reporting Period, there were no significant changes in the nature of the Group's principal activities.

### THE GROUP'S MANAGEMENT ANALYSIS REPORT FOR 2023 AND OUTLOOK ON THE WORK FOR 2024

#### I. WORK OVERVIEW OF THE GROUP FOR 2023

China's GDP grew by 5% year-on-year in 2023, achieving its set target. However, on the whole, there were significant changes in the economic structure. The industrial DeNOx catalyst sector, in which the Group operates, saw little change in general, and continued the fully competitive pattern in the red ocean market, with each competitor in the industry enduring relatively difficult operations overall. At the same time, we saw some market opportunities in the technical high-end products of DeNOx catalysts and environment-oriented catalyst sectors, but the technical requirements for catalyst manufacturers are very high, and only catalyst enterprises with technical strength have the opportunity to enter new market sectors.

##### (I) Traditional plate-type and honey-comb DeNOx catalysts

###### 1. *Current market situation*

###### (1) *Electric power field*

Thermal power market is a fully competitive red ocean market. Although thermal power DeNOx catalysts products account for the highest percentage in the industrial sector, the gross profit level of the products is maintained at a low level all year round due to intense competition. However, due to the large market share, competitors in the industry, including the Group, have to put in greater efforts to participate in the competition to improve the Company's production capacity utilization rate and amortization of the production costs and expenses.

(2) *Other industrial sectors*

The market for conventional catalysts in other industrial sectors is similar to that for thermal power catalysts, but the market for catalysts with high technological difficulty and new applications such as de-CO catalysts and de-NMHC catalysts is beginning to emerge. These new catalysts are characterized by high technical requirements, high product unit prices and high gross profit levels. All major catalyst manufacturers are striving to find technological breakthroughs and product launch opportunity, in hopes of quickly standing out in severe market and technological competition, thereby creating new profit growth points. At the same time, we believe that the release of the market size of these new industrial catalysts is also greatly related to the profitability level and the affordability of environmental pollution treatment costs in the industry.

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

(1) *Marketing and sales efforts*

In 2023, the first year after the pandemic, the Group continued to achieve better results in marketing and sales work. As at 31 December 2023, the Group has completed catalyst technical solutions for more than 1,000 projects, submitted over 200 official bids with customers such as power generation companies and local power plants, and entered into a total of nearly 150 supply contracts (some of which were not subject to bidding procedures) throughout the year.

The prominent results achieved in the Group's market development in 2023 mainly include:

- The Group has strengthened its sales of catalysts in overseas markets, with the number of export reaching a record high of 10 projects for 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.
- Breakthrough was achieved in the industrial silicon project for plate-type catalysts, which was the first application of plate-type catalysts in industrial silicon in the PRC.

- Honey-comb DeNOx 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.
- The application of honey-comb DeNOx catalysts in biomass boiler has further developed, leading to the successful commercialization of low-temperature catalyst in the market.
- Honey-comb DeNOx catalysts were further developed in gas power generation projects, and supply contracts for two projects were signed.
- Honey-comb DeNOx catalysts were further developed in the sintering machine project, and several supply contracts for catalysts were signed with steel mills.

(2) *Product manufacturing*

In 2023, the Group's total catalyst production continued to rise, of which: the Group's production of plate-type catalysts declined slightly and its gross profit level remained stable; the production of honey-comb DeNOx catalysts continued to rise relatively significantly, with the level of gross profit of honey-comb DeNOx catalysts being lower than expected as a result of the competition in the market and the fact that the Group had produced new honey-comb DeNOx catalyst products which were difficult to produce and had lower yield rates. The Group's overall production task saturation and operating rate for the year continued to improve as compared to 2022, and overall production throughout the year was in a relatively busy state.

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

1. With the recovery of the entire vehicle industry chain in 2023, the Group's vehicle catalyst business showed a retaliatory rebound, with OEM orders for catalysts used for natural gas-powered vehicles recovering to a greater extent. The overall order volume of catalysts in the Group's vehicle aftermarket was relatively small, which basically remained at the same level as last year.
2. With the recovery of orders for natural gas-powered vehicle catalysts, the Group invested a certain amount of research and development efforts to continue to focus on the research and development work in cost reduction. Overall, the Group's cost of catalysts was more significantly higher than that of the previous year. Meanwhile, the Group also further integrated the technology research and development department, and partially transferred the research and development strength of vehicle catalysts to the research and development of new industrial catalyst products, so as to provide technical support for the future expansion of the new product market for industrial catalysts.

## II. KEY WORK ARRANGEMENTS OF THE GROUP FOR 2024

### (I) Plate-type and honey-comb DeNOx catalysts

1. The Group's increased market promotion and marketing efforts in 2023 achieved the expected results. The Group will continue to maintain various promotional channels and tools to consolidate the operating results achieved in the domestic market, and continue to enhance the adhesion of high-quality customers, striving to establish long-term partnerships with them.
2. On the basis of the foreign orders obtained in 2024, the Group will vigorously strengthen the expansion of overseas markets. Overseas markets are characterized by high product quality and technical requirements, as well as high product margins. In this regard, the Group will continue to recruit overseas sales staff who are familiar with the rules of the international market and familiar with overseas customers on the basis of providing products with excellent quality, in the hope of continuing to make greater breakthroughs in overseas markets in 2024.
3. On the basis of the new industrial catalyst technology in 2023, the Group will focus on strengthening the research and development of products such as industrial HCN catalysts, CO catalysts for metallurgy and gas units, VOCs catalysts and thin-walled honey-comb DeNOx catalysts, with a view to enabling the products to meet mass production conditions as early as possible.

### (II) Vehicle catalyst related products

#### 1. *Research and development*

In 2024, the focus of the Group's research and development in vehicle catalysts will include:

- (1) Continue to carry out the research and development work on continuous cost reduction and quality enhancement of catalysts used for existing engine models of China VI natural gas-powered vehicles, and track and develop the process and formula of catalysts used for new engine models of China VI natural gas-powered vehicles.
- (2) Continue to develop after-treatment catalysts for engines with theoretical air-fuel ratio.
- (3) The research and development work required for catalyst projects and catalyst product needs in after-sales market for other vehicles.



## **2. *Market development***

The commercial vehicle industry chain experienced a retaliatory rebound market in 2023, under which the Group seized the opportunity to resume the production and delivery of catalyst orders for natural gas-powered vehicles. From the situation at the end of 2023, the possibility of the rebound market to continue was reduced. In 2024, the Group shall make a good prediction of market fluctuations and control market risks.

## **3. *Cost control***

Overall, fuel-powered vehicles and natural gas-powered vehicles have been continuously impacted by new energy-powered vehicles, and the Group has defined a strategy for market defense and cost control. In this regard, the Group will continue to vigorously control market expenses and operating costs of the vehicle segment on the basis of ensuring the research and development of identified projects.

### **(III) Other key work of the Group**

In 2024, the Group will further strengthen its other operation and management work, which includes:

1. Continue to pay attention to the Hong Kong capital market and exchange rate changes, with a view to realizing the preservation and appreciation of the Group's capital under the fluctuation of the capital market;
2. Carry out automated transformation and capacity expansion on partial catalyst production lines to cope with the Group's product delivery capacity when orders arise in a concentrated manner;
3. Continue to improve the Group's remuneration assessment system, especially the marketing and sales remuneration system, control the sales expenses and realize the orderly flow of sales staff.

## 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:

	2023		2022	
	RMB'000	%	RMB'000	%
Plate-type DeNOx catalysts	58,528	46.3	51,945	82.7
Honey-comb DeNOx catalysts	21,143	16.7	9,551	15.2
DeNOx catalysts for vehicles	46,721	37.0	1,295	2.1
	<u>126,392</u>	<u>100.0</u>	<u>62,791</u>	<u>100.0</u>

The Group recorded a total revenue of approximately RMB126.4 million for the Reporting Period, representing an increase of 101.3% as compared to approximately RMB62.8 million for the same period in 2022.

Revenue generated from sales of plate-type DeNOx catalysts increased to approximately RMB58.5 million for the Reporting Period, representing an increase of 12.7% as compared to approximately RMB51.9 million for the same period in 2022, which was primarily attributable to fluctuations in market demand. The average selling price of plate-type DeNOx catalysts per cubic metres (“m<sup>3</sup>”) increased by approximately 12.5% from RMB12,758 per m<sup>3</sup> in 2022 to RMB14,353 per m<sup>3</sup> for the Reporting Period, while the sales volume of plate-type DeNOx catalysts slightly decreased by approximately 0.7% from 4,642 m<sup>3</sup> in 2022 to 4,608 m<sup>3</sup> for the Reporting Period. The plate-type DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc.

Revenue generated from sales of honey-comb DeNOx catalysts increased by 119.8% from approximately RMB9.6 million for the same period in 2022 to approximately RMB21.1 million for the Reporting Period, mainly due to fluctuations in market demand. The average selling price of honey-comb DeNOx catalysts per m<sup>3</sup> increased by approximately 54.9% from RMB13,493 per m<sup>3</sup> in 2022 to RMB20,902 per m<sup>3</sup> for the Reporting Period, and the sales volume of honey-comb catalysts increased by approximately 43.8% from 795 m<sup>3</sup> in 2022 to 1,143 m<sup>3</sup> for the Reporting Period. The honey-comb DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc. Due to the significant increase in the number of honey-comb DeNOx catalysts contracted in 2023, the pandemic was lifted and shipments were no longer affected by this, resulting in a significant increase in revenue of honey-comb DeNOx catalysts in 2023.

During the Reporting Period, the Group recorded a revenue from sales of DeNOx catalysts for vehicles of approximately RMB46.7 million. The significant increase in the revenue from DeNOx catalysts for vehicles as compared to the same period in 2022 was mainly attributable to the Group's vigorous efforts to develop the market for vehicle catalysts, which achieved initial results in 2023, resulting in an increase in sales of vehicle catalysts.

### **Gross profit**

During the Reporting Period, the Group recorded a gross profit of approximately RMB24.5 million due to the increase in the production volume of honey-comb DeNOx catalysts, which in turn further resulted in the decrease in production costs.

### **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 for the Reporting Period as compared to the same period in 2022, mainly due to the increased marketing efforts in promoting our products to overseas markets, representing 25.2% and 22.7% of the Group's total revenue from contracts with customers in 2022 and 2023, respectively.

### **Administrative expenses**

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation. The Group's administrative expenses slightly decreased by 4.0% from approximately RMB17.5 million in 2022 to approximately RMB16.8 million for the Reporting Period which was primarily attributable to the decrease in various consultancy fees.

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

Finance income includes interest income on bank balances and cash, restricted cash and bank deposits with original maturity over three months. Finance costs includes interest expenses on lease liabilities, borrowing and discounted bills.

### **Loss attributable to the owners of the Company**

As a result of the foregoing, the loss attributable to the owners of the Company increased by 8.1% from approximately RMB23.5 million in 2022 to approximately RMB25.4 million for the Reporting Period.

## 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	
	2023	2022
Current Ratio ( <i>Note 1</i> )	<b>1.6 times</b>	2.1 times
Quick Ratio ( <i>Note 2</i> )	<b>0.5 times</b>	0.8 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 profit 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 profit 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 2.1 times as at 31 December 2022 to 1.6 times as at 31 December 2023 and quick ratio decreased from 0.8 times as at 31 December 2022 to 0.5 times as at 31 December 2023. Such decrease was mainly due to the increase in down payment from customers of approximately RMB97.3 million as at 31 December 2022 to approximately RMB161.2 million as at 31 December 2023 because more sales contracts were awarded in the second half of 2023.

## Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2022 and 2023, as it has recorded a loss attributable to the owners of the Company for the years ended 31 December 2022 and 2023.

## **Liquidity and Capital Resources**

The Group's financial position remains solid and the Group has sufficient financial resources to meet its commitments and working capital requirements. As at 31 December 2023, the Group had net current assets of approximately RMB122.1 million (2022: approximately RMB139.2 million) of which cash and cash equivalents were approximately RMB44.3 million (2022: approximately RMB24.0 million) and were denominated in RMB, US\$, HK\$ and Euro€ as at 31 December 2023.

### ***Gearing Ratio***

Our gearing ratio which is calculated by total borrowings divided by total assets was 1.2% as of 31 December 2023 (2022: nil).

### ***Use of net proceeds from the Listing***

As at 31 December 2023, net proceeds of the Group not utilised of approximately RMB19.3 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 RMB'million	Re-allocation of net proceeds on 28 December 2020 (Note 1) RMB'million	Re-allocation of net proceeds on 28 December 2022 (Note 1) RMB'million	New allocation for unutilized amount of net Proceeds RMB'million	Unutilized net proceeds as at 31 December 2022 RMB'million	Utilized net proceed during the year ended 31 December 2023 RMB'million	Unutilized net proceeds as at 31 December 2023 RMB'million	Expected timeline for fully utilization of the remaining proceeds (Note 2)
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	(3.5)	-	-	-	-	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	-	-	-	-	-	N/A
Research and development	17.1	17.1	16.1	12.3	16.1	3.8	12.3	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	6.9	(1.0)	-	-	-	-	N/A
Replacement of the Group's No. 1 production line	5.1	3.5	-	-	-	-	-	N/A
Working capital and general corporate purposes	17.1	43.0	(11.6)	7.0	10.0	3.0	7.0	Fourth quarter of 2025
<b>Total</b>	<b>171.0</b>	<b>171.0</b>	<b>-</b>	<b>19.3</b>	<b>26.1</b>	<b>6.8</b>	<b>19.3</b>	

*Note 1:* The utilization of the net proceeds and the use of proceeds for unutilized amount of net proceeds from the Initial Public Offering was updated. For details, please refer the announcements of the Company dated 28 December 2020 and 28 December 2022.

*Note 2:* The expected timeline for fully utilization of 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 has outstanding borrowings approximately of RMB4.5 million as at 31 December 2023 (2022: nil).

### ***Pledge of Assets***

The Group has pledged certain machineries with the net carrying amount of approximately RMB8.8 million as at 31 December 2023 (2022: nil).

### **Capital expenditure**

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. During the Reporting Period, the Group had invested approximately RMB0.3 million for the purchase of property, plant and equipment (2022: approximately RMB2.4 million). These capital expenditures were financed by internal resources of the Group.

### **Capital commitment**

As at 31 December 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 31 December 2023, the capital commitment for acquisition of property, plant and equipment amounted to approximately RMB2.4 million (31 December 2022: RMB1.1 million).

### **Contingent liabilities**

The Group did not have any material contingent liabilities, guarantees and litigation as at 31 December 2022 and 2023.

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

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 Reporting Period.

There was no plan authorised by the Board for other material investments or additions of capital assets of the Group at the date of this announcement.

## **Employees and Remuneration**

As at 31 December 2023, the Group had 189 employees (2022: 182 employees). 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 are based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for the Reporting Period. As the growth of the Group 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.

## **Finance Lease Agreement**

On 25 October 2023, Maxwealth Financial Leasing Co., Ltd.\* (永贏金融租賃有限公司), a wholly-owned subsidiary of Bank of Ningbo Co., Ltd.\* (寧波銀行), as lessor, has entered into a finance lease agreement with Beijing Denox Environmental & Technology Co., Ltd.\* (北京迪諾斯環保科技有限公司), an indirect wholly-owned subsidiary of the Company, as lessee, pursuant to which (i) the lessee has agreed to sell the leased assets to the lessor at a consideration of RMB5,000,000 (equivalent to approximately HK\$5,454,000); and (ii) the lessor has agreed to leaseback the leased assets to the lessee for a term of 24 months for a total lease payment of RMB5,362,858 (equivalent to HK\$5,849,806). For further details, please refer to the announcement of the Company dated 8 December 2023.



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

On 6 November 2023, the Company and Ms. Zhao Shu, the chairlady and an executive Director and controlling shareholder of the Company (being the subscriber) entered into a share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 98,807,400 subscription Shares at the subscription price of HK\$0.048 per subscription Share for a total consideration of HK\$4,742,755.2 in cash. The subscription has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 5 January 2024. A whitewash waiver was also granted by the Securities and Futures Commission to the Company on 3 January 2024 accordingly. As all conditions precedent under the share subscription agreement have been satisfied, the share subscription has been taken place on 26 January 2024, and that 98,807,400 subscription Shares were duly allotted and issued by the Company to the subscriber at the subscription price of HK\$0.048 per subscription Share pursuant to the specific mandate sought from the independent shareholders of the Company at the extraordinary general meeting of the Company held on 5 January 2024 upon completion. For further details, please refer to the announcements of the Company dated 6 November 2023, 5 January 2024 and 26 January 2024.

Save for above, there are no important events affecting the Group taken place after 31 December 2023 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.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 Thursday, 20 June 2024 (the “**Annual General Meeting**”), the register of members of the Company will be closed from Monday, 17 June 2024 to Thursday, 20 June 2024, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 June 2024.

## **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 C3 to 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 announcement.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the corporate governance code set out in Appendix C1 to the Listing Rules (the “**CG Code**”) as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code during the Reporting Period. Throughout the Reporting Period, the Company has complied with the relevant code provisions of the CG Code with the exception of code provision C.2.1. Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive 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 Group’s business operations 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.

Under the leadership of Ms. Zhao Shu, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspective. The Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, as to maintain a high standard of corporate governance practices of the Company.

#### **REVIEW BY THE AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei. Ms. Chan Yeuk Wa and Mr. Ong Chor Wei are independent non-executive Directors 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 2023 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 the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, CL Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 26 March 2024. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners CPA Limited on the preliminary announcement.

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

This annual 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 annual report for the year ended 31 December 2023 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 who have requested the printed copy on or before the end of April 2024.

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

Hong Kong, 26 March 2024

*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.*

\* *for identification purpose only*