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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 2022

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 2022 (the “**Period**”) together with comparative figures for the corresponding period of 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers	4	34,844	31,120
Cost of sales		<u>(28,443)</u>	<u>(27,523)</u>
Gross profit		6,401	3,597
Selling and marketing expenses		(5,880)	(4,691)
Administrative expenses		(9,495)	(7,742)
Other gains (losses), net	5	620	(155)
Share of profit of an associate		11	–
Gain on disposal of a subsidiary		–	6,591
Finance income	6	55	64
Finance costs	6	<u>(152)</u>	<u>(180)</u>
Loss before tax		(8,440)	(2,516)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period		<u>(8,440)</u>	<u>(2,516)</u>
Other comprehensive income (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>2,278</u>	<u>(644)</u>
Other comprehensive income (expense) for the period		<u>2,278</u>	<u>(644)</u>
Total comprehensive expense for the period		<u>(6,162)</u>	<u>(3,160)</u>
(Loss) profit for the period attributable to:			
– Owners of the Company		(8,440)	3,009
– Non-controlling interests		<u>–</u>	<u>(5,525)</u>
		<u>(8,440)</u>	<u>(2,516)</u>
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		(6,162)	2,365
– Non-controlling interests		<u>–</u>	<u>(5,525)</u>
		<u>(6,162)</u>	<u>(3,160)</u>
(Loss) profit per share			
Basic and diluted (RMB per share)	8	<u>(0.017)</u>	<u>0.006</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		46,147	46,751
Right-of-use assets		12,256	14,455
Interest in an associate		102	91
Long-term prepayments		339	1,135
Restricted cash		<u>851</u>	<u>—</u>
		<u>59,695</u>	<u>62,432</u>
Current assets			
Inventories	<i>10</i>	140,582	122,035
Trade receivables	<i>11</i>	20,277	34,957
Financial assets at fair value through other comprehensive income		1,690	15,091
Prepayments, deposits and other receivables		11,415	14,287
Restricted cash		3,329	5,626
Cash and cash equivalents		<u>73,404</u>	<u>71,359</u>
		<u>250,697</u>	<u>263,355</u>
Total assets		<u><u>310,392</u></u>	<u><u>325,787</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,595	3,966
Deferred income		<u>2,515</u>	<u>2,669</u>
		<u>5,110</u>	<u>6,635</u>
Current liabilities			
Trade payables	12	12,083	13,052
Accruals and other payables		7,800	10,279
Contract liabilities		78,230	82,323
Deferred income		308	308
Lease liabilities		1,799	1,966
Income tax payables		<u>3,703</u>	<u>3,703</u>
		<u>103,923</u>	<u>111,631</u>
Total liabilities		<u><u>109,033</u></u>	<u><u>118,266</u></u>
Net assets		<u><u>201,359</u></u>	<u><u>207,521</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		31,423	31,423
Reserves		<u>169,936</u>	<u>176,098</u>
Total equity		<u><u>201,359</u></u>	<u><u>207,521</u></u>
Total equity and liabilities		<u><u>310,392</u></u>	<u><u>325,787</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 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.

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

Items included in the condensed consolidated interim financial 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.

These condensed consolidated interim financial statements were approved by the board of directors of the Company for issue on 29 August 2022.

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 2022 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 of Hong Kong Limited. Accordingly, these condensed consolidated interim financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

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

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 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB which are effective for the Group’s financial year beginning 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle

The application of the amendments to IFRSs in the current interim 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:

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	28,236	26,174
• Honey-comb DeNOx catalysts	5,950	4,617
• DeNOx catalysts for vehicles	658	329
	<u>34,844</u>	<u>31,120</u>

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

5. OTHER GAINS (LOSSES), NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (<i>note</i>)	207	60
Net foreign exchange gains (losses)	463	(69)
Write-off of property, plant and equipment	(68)	(194)
Others	18	48
	<u>620</u>	<u>(155)</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 period of approximately RMB154,000 (six months ended 30 June 2021: 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.

6. FINANCE INCOME/FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income on cash and cash equivalents and restricted cash	<u>55</u>	<u>64</u>
Finance costs		
Interest expenses on lease liabilities	<u>(152)</u>	<u>(180)</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 2022 and 2021.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2022 and 2021.

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, was accredited as high-tech enterprise and is entitled to the preferential tax rate of 15% for the six months ended 30 June 2022 and 2021.

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 2022 and 2021.

8. (LOSS) PROFIT PER SHARE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss) profit		
(Loss) profit for the purpose of basic and diluted (loss) profit per share		
(loss) profit for the period attributable to owners of the Company)	<u>(8,440)</u>	<u>3,009</u>
	Number of	Number of
	shares	shares
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic		
and diluted (loss) profit per share	<u>494,037</u>	<u>494,037</u>

The diluted (loss) profit per share was the same as the basic (loss) profit per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2022 and 2021.

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2022, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2021: nil).

10. INVENTORIES

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Raw materials	17,392	20,467
Work-in-progress	2,565	1,262
Finished goods	20,388	22,208
Goods in transit	<u>100,237</u>	<u>78,098</u>
	<u>140,582</u>	<u>122,035</u>

During the six months ended 30 June 2022, the cost of inventories recognised as expenses and included in “cost of sales” amounted to approximately RMB28,443,000 (six months ended 30 June 2021: RMB27,523,000).

11. TRADE RECEIVABLES

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	23,845	38,791
Less: allowance for impairment of trade receivables	(3,568)	(3,834)
	<u>20,277</u>	<u>34,957</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 reporting period.

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	12,129	18,332
1 year to 2 years	4,521	7,951
2 years to 3 years	3,258	7,413
Over 3 years	369	1,261
	<u>20,277</u>	<u>34,957</u>

12. TRADE PAYABLES

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	12,083	13,052

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

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 6 months	10,133	12,960
6 months to 1 year	1,038	–
1 year to 2 years	820	45
Over 2 years	92	47
	<u>12,083</u>	<u>13,052</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Denox Environmental & Technology Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of DeNOx catalysts in the People’s Republic of China (the “**PRC**”).

During the six months ended 30 June 2022 (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 2022 and Outlook on the Work for the Second Half of 2022

I. Work overview of the Company for the first half of 2022

Since 2022, the international environment has become more complex and severe, the adverse impact has increased significantly, the economic development is extremely unusual, and sudden factors beyond expectations have resulted in a serious impact on the economy. In the first half of 2022, the sporadic outbreak of the pandemic in different provinces and cities of China has caused a great impact to the macro economy, and China’s GDP has increased by 2.5% year on year on constant prices basis. Particularly, the GDP has increased by only 0.4% in the second quarter year on year, which brought great pressure for achieving the annual GDP growth target of 5%. The balance between pandemic prevention and economic growth will continue to run through the main line of economic development and people’s lives in the second half of the year.

1. Current market situation

- (1) The thermal power industry is continuously operating at a low level, and the catalyst market is still mainly derived from the normal replacement of catalysts in the existing thermal power plants.
- (2) The market demand of metallurgy, coking, cement, gas turbine, waste-to-energy and other industries is relatively stable, which is characterized by numerous projects, large difference in operating conditions, and small contract value for a single project.
- (3) Overall, there are many industrial catalyst manufacturers with overcapacity at present, and the selling price showed a downward trend in the first half of 2022.

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

(1) Marketing and after-sale services

In the first half of 2022, the marketing department completed catalyst technical solutions for 438 projects, submitted 117 official bids with customers such as power generation groups and local power plants, and entered into a total of 38 supply contracts as of the end of June 2022, under which the catalyst volume and contract value both increased. As of the end of June 2022, the Group completed the initial acceptance of 37 generation units for 23 projects in the first half of the year, and completed the recovery of all contract payments for 16 projects.

The notable marketing work of the Group in the first half of 2022 includes:

- Achieved a breakthrough of zero performance with State Power Investment Corporation Limited (“**SPIC**”) by signing contracts for two projects of Qinghe Power Plant and Yanshan Lake Power Plant with SPIC, thereby the business scope of the Group covered all the five major power groups.
- Following the performance breakthrough made in cement industry in 2021, the Group successfully expanded the application of DeNOx catalysts in cement industry by successively signing catalyst supply contracts for two projects.
- The Group successfully signed a DeNOx catalyst contract for a RTO (Regenerative Thermal Oxidizer) in Anshan, Liaoning, thereby achieving a performance breakthrough in RTO industry.
- The Group successfully signed a contract for a cracking furnace DeNOx catalyst project in Baofeng, Ningxia, thereby achieving a performance breakthrough in petrochemical cracking industry.

(2) Product manufacturing

In the first half of 2022, the production tasks increased significantly as compared with the same period last year, and the cost of unit catalyst showed a downward trend. In the first half of the year, the Group completed catalyst production tasks for 47 projects, which exceeded that of the same period last year in terms of the number of projects, while the overall production task saturation and the rate of operation both improved significantly over last year.

The Gu'an Plant has started to process stencils by itself in the first half of 2021, and has basically achieved the expected outcome of reducing the cost of stencils at present after over a year of hard work.

In the first half of 2022, the output of honeycomb catalysts increased significantly as compared with last year. Because honeycomb catalysts have a wider range of application scenarios in the industrial field, it is expected that the proportion of the Company's honeycomb catalysts will further increase in the future.

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

In the first half of 2022, the macroeconomic downturn had an unexpected impact on vehicles, especially the commercial vehicle sector, in which the sales of commercial vehicles decreased by 42% year on year, and the related industrial chains, including engine, exhaust emission system, catalyst, and carrier manufacturers, all suffered a fatal impact.

1. In the first half of the year, the Group continued to optimise and improve the research and development and preparation of catalyst products for China VI natural gas-powered vehicles. Due to the engine models supplied by the Group were in a semi-shutdown status in the first half of the year as a result of the pandemic, the Group's orders were also forced to be interrupted. The Group continued to maintain technical exchanges on natural gas catalyst products with other domestic vehicle manufacturers and engine manufacturers.
2. In the first half of the year, the Group continued to follow up and develop a series of catalyst products for China VI diesel-powered vehicles. At the same time, taking into account the current actual market conditions, the Group conducted in-depth research and discussions on the strategy of product development and fine-tuned the direction of future product development.
3. Taking into account the sluggish vehicle OEM market in the first half of the year, the Company also put efforts in the tracking and development of the vehicle after-sales market and other area of markets.

II. Key work arrangements of the Group for the second half of 2022

(I) Plate-type and honeycomb DeNOx catalysts

1. In the first half of the year, despite the unfavorable macro situation, the Group has well completed its sales work in industrial sector, and will continuously strive to solidify the achievements made in the first half of the year. The Group will continue to optimise the sales assessment and incentive policies, and continue to put more sales efforts in industrial fields other than thermal power.
2. While diligently broadening sources, the Group will continue to strengthen internal management, including further improving the production efficiency of workshops, reducing energy consumption per unit of output, and reducing daily management costs.

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

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

In the first half of the year, the significant decrease in the commercial vehicle sector brought great pressure to the Company's business operations in this sector. In the second half of the year, the Group will further focus on products by creating cost advantage and comprehensive cost-effectiveness of products. The Group will strengthen communication with vehicle manufacturers and engine manufacturers to continue to strive for sales opportunities for OEM products. Meanwhile, the Group will enhance sales efforts in the after-sales market to make up for the trough period of OEM market.

2. Research and development of new products

Due to the continuous improvement of vehicle emission standards and the demand of manufacturers for cost reduction, the upgrading and replacement of catalyst products in the vehicle industry is very fast, which requires enterprises to continuously invest in product research and development. In view of the continuous high level of product research and development in the vehicle catalyst industry, the Group has continually conducted discussions and analysis to clarify the focus of current product research and development and the research and development direction of new products. At the same time, subject to achieving the Group's research and development goals, the Group will try to control the research and development costs as much as possible. In order to enable the Group's product research and development to be carried out more effectively, the Group is also constantly identifying strategic partners to enhance the Group's research and development strength and capital investment in research and development.

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			
	2022		2021	
	Renminbi ("RMB") '000	%	Renminbi ("RMB") '000	%
Plate-type DeNOx catalysts	28,236	81.0	26,174	84.1
Honey-comb DeNOx catalysts	5,950	17.1	4,617	14.8
DeNOx catalysts for vehicles	658	1.9	329	1.1
Total	<u>34,844</u>	<u>100</u>	<u>31,120</u>	<u>100.0</u>

The Group recorded a total revenue of approximately RMB34.8 million for the Period, representing an increase of 11.9% as compared to approximately RMB31.1 million of the same period in 2021.

The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants. Revenue generated from sales of plate-type DeNOx catalysts for the Period increased to approximately RMB28.2 million, representing an increase of 7.6% as compared to approximately RMB26.2 million of the same period in 2021, which was primarily attributable to the increase in the average selling price and sales volume of plate-type DeNOx catalysts during the Period.

During the Period, the Group recorded a revenue from sales of DeNOx catalysts for vehicles in approximately RMB0.7 million with an increase of 133% as compared with the revenue of approximately RMB0.3 million in the same period in 2021.

Gross profit

During the Period, the Group recorded a gross profit of approximately RMB6.4 million which resulted from the selling price rebound of plate-type DeNOx catalysts. During the six months ended 30 June 2021, the Group recorded a gross profit of approximately RMB3.6 million.

Selling and marketing expenses

Selling and marketing expenses primarily consist of selling and marketing expenses, transportation cost, employee salaries and benefit expenses, etc. During the Period, the Group focused in strengthening its marketing network and there was an increase in marketing expenses for the Period. Due to the greater effort on customer development during the Period, the number of new contracts obviously increased, and new shipments also increased, resulting in an increase in transportation expenses, consulting and business expenses and traveling expenses for the Period. As a whole, the Group's selling and marketing expenses increased by 25.5% to approximately RMB5.9 million for the Period from approximately RMB4.7 million of the same period in 2021.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation, research and development expenses and professional fees. For the Period, the Group's administrative expenses amounted to approximately RMB9.5 million, which increased by 23.4% when compared with approximately RMB7.7 million of the same period in 2021, 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. Finance income includes interest income on cash and cash equivalents and restricted cash. The Group recorded net finance costs of approximately RMB0.1 million for the six months ended 30 June 2022 while it recorded net finance cost of approximately RMB0.1 million in the same period in 2021.

(Loss)/profit attributable to the owners of the Company

As a result of the aforementioned major factors, the loss attributable to the owners of the Company for the Period amounted to approximately RMB8.4 million while the profit attributable to the owners of the Company amounted to approximately RMB3.0 million in the same period in 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 30 June 2022, the Group had net current assets of approximately RMB146.8 million (31 December 2021: approximately RMB151.7 million) of which cash and cash equivalents were approximately RMB73.4 million (31 December 2021: approximately RMB71.4 million) and were denominated in RMB, US\$, Euro€, and HK\$.

The gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group had no outstanding bank loans and other borrowings as at 30 June 2022 (31 December 2021: Nil) and the resulting gearing ratio was nil (31 December 2021: Nil).

The Group had no other pledged assets as at 31 December 2021 and 30 June 2022.

Use of net proceeds from the Listing

As at 30 June 2022, net proceeds not utilised of approximately RMB26.4 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed “Use of proceeds” of the prospectus of the Company dated 30 October 2015 and the announcement dated 28 December 2020.

Purposes	Original	New allocation	Amount	Amount	Expected timeline
	allocation of				
	net proceeds	of net proceeds	utilized up to	unutilized up to	for fully utilizing the
	as stated in the	(note 1)	30 June 2022	30 June 2022	remaining proceeds
	prospectus				(taking into account
	RMB'million	RMB'million	RMB'million	RMB'million	of the new allocation)
					(Note 2)
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
Research and development	17.1	17.1	17.1	–	N/A
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	5.9	1	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	21.1	21.9	Fourth quarter of 2024
Total	<u>171.0</u>	<u>171.0</u>	<u>144.6</u>	<u>26.4</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.

Capital expenditures

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the Period, the Group invested approximately RMB2.0 million (six months ended 30 June 2021: RMB5.1 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 2022, the Group had capital commitment amounted to RMB1.4 million (31 December 2021: 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 2022, the Group had capital commitment amounted to approximately RMB0.2 million (31 December 2021: RMB1.1 million) for acquisition of property, plant and equipment.

Contingent liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

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

There were no significant investments held, no material acquisitions of the Company or disposals of subsidiaries, associates and joint ventures and there was no plan authorised by the board (the “**Board**”) of directors (the “**Directors**”) of the Company for other material investments or additions of capital assets of the Group at the date of this announcement.

Impact of the Covid-19 Pandemic

Up to the date of this announcement, the COVID-19 pandemic is still not deracinated. There might be rebounds of the COVID-19 pandemic from time to time, which might cause the reduction of travels and consumption of the people in some local parts of the PRC for a period of time. We believe that the impact of the COVID-19 pandemic rebounds in the future will not last as long as it did in the past years. We are monitoring closely the development of the pandemic situations and taking appropriate measures to minimize its impact to our business.

Important events affecting the Group after the Period

Save as disclosed, there are no important events affecting the Group has taken place during 30 June 2022 and up to the date of this announcement.

Foreign exchange risk

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

Employees and Remuneration

As at 30 June 2022, the Group had 200 employees (31 December 2021: 171). Remuneration of the employees of the Group amounted to RMB9.7 million for the Period (for the six months ended 30 June 2021: RMB12.1 million). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the Directors, senior management members and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group has adopted a share option scheme on 14 October 2015. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 2020. As the growth of the Group is dependent upon the skills and dedication of its employees, the Group recognises the importance of human resources in competitive industry and has devoted resources to provide training to employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2021: 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 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 with all Directors, each of the Director confirmed that he/she has complied with the required standards set out in the Model Code during the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules with the exception of code provision 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 2021.

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.

EVENTS AFTER THE PERIOD

There are no significant subsequent events after the Period.

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 unaudited consolidated interim financial statements for the six months ended 30 June 2022, and also discussed the accounting policies, accounting standards and practices adopted by the Group in conjunction with the management.

PUBLICATION OF 2022 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.china-denox.com) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The Company's interim report for the six months ended 30 June 2022 will be available on the same websites and will be despatched to the Company's shareholders on or before the end of September 2022.

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

Hong Kong, 29 August 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 Director; and Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei as independent non-executive Directors.