



迪诺斯

DENOX ENVIRONMENTAL & TECHNOLOGY
HOLDINGS LIMITED

Denox Environment

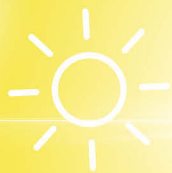
迪諾斯環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1452



INTERIM
REPORT
2022



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. ZHAO Shu (*Chairlady*)

Mr. LI Ke

Mr. KONG Hongjun (*resigned on 18 March 2022*)

Non-executive Directors

Mr. LI Xingwu

Mr. TEO Yi-Dar (*resigned on 25 February 2022*)

Independent non-executive Directors

Ms. CHAN Yeuk Wa

Mr. ONG Chor Wei

Mr. LI Min

Audit Committee

Ms. CHAN Yeuk Wa (*Chairlady*)

Mr. ONG Chor Wei

Mr. LI Min

Remuneration Committee

Mr. LI Min (*Chairman*)

Ms. ZHAO Shu

Mr. ONG Chor Wei

Nomination Committee

Ms. ZHAO Shu (*Chairlady*)

Mr. LI Min

Mr. ONG Chor Wei

Joint Company Secretaries

Mr. LIU Lianchao

Ms. YU Anne (*appointed on 29 August 2022*)

Mr. WONG Yu Kit (*resigned on 29 August 2022*)

Authorised Representatives

Ms. ZHAO Shu

Mr. LIU Lianchao

Auditor

SHINEWING (HK) CPA Limited

Registered Office in Cayman Islands

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

CORPORATE INFORMATION

Principal Place of Business in Hong Kong

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

Headquarters and Principal Place of Business in the PRC

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

Principal Bankers

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

Company's Website

www.china-denox.com

Stock Code

01452

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The following table sets forth the revenue generated from sale of plate-type DeNOx catalysts, honey-comb DeNOx catalysts and DeNOx catalysts for 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	34,844	100	31,120	100.0

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 allocation of net proceeds as stated in the prospectus	New allocation of net proceeds (note 1)	Amount utilized up to 30 June 2022	Amount unutilized up to 30 June 2022	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) (Note 2)
	RMB'million	RMB'million	RMB'million	RMB'million	
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	171.0	171.0	144.6	26.4	

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the Period, the Group invested approximately 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 report.

Impact of the Covid-19 Pandemic

Up to the date of this report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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 2021. 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.

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares of the Company (“**Shares**”), underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

Name of Directors	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Ms. Zhao Shu (“ Ms. Zhao ”)	Beneficial owner	24,612,477 (L)	4.98%
	Interest in controlled corporation (Note 3)	153,031,609 (L)	30.98%
Mr. Li Xingwu (“ Mr. Li ”)	Interest in controlled corporation (Note 4)	51,075,015 (L)	10.34%
Mr. Kong Hongjun (“ Mr. Kong ”)	Interest in controlled corporation (Note 5)	8,887,475 (L)	1.80%
Mr. Li Ke	Interest in controlled corporation (Note 6)	2,962,474 (L)	0.60%

Notes:

- The letter “L” denotes the person’s long position in the Shares.
- The percentages are calculated based on 494,037,000 Shares in issue as at 30 June 2022.
- These 153,031,609 Shares are held by Advant Performance Limited (“**Advant Performance**”) which is wholly owned by Ms. Zhao. Ms. Zhao is deemed to be interested in these Shares by virtue of the SFO.
- These 51,075,015 Shares are held by EEC Technology Limited (“**EEC Technology**”) which is wholly owned by Mr. Li. Mr. Li is deemed to be interested in these Shares by virtue of the SFO.
- These 8,887,475 Shares are held by Global Reward Holdings Limited which is wholly owned by Mr. Kong. Mr. Kong is deemed to be interested in these Shares by virtue of the SFO.
- These 2,962,474 Shares are held by Fine Treasure Asia Holdings Limited which is wholly owned by Mr. Li Ke. Mr. Li Ke is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or is otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

Directors' Right to Acquire Shares or Debentures

Save for the share option scheme of the Company as disclosed in its annual report for the year ended 31 December 2021, at no time during the Period was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements which enable Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests in Securities

As at 30 June 2022, so far as the Directors were aware, the following persons' (other than the Directors and chief executives of the Company) had interests or short position in the Shares, underlying Shares and debentures of the Company, being interests of 5% or more, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Directors	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Advant Performance	Beneficial owner	153,031,609 (L)	30.98%
EEC Technology	Beneficial owner	51,075,015 (L)	10.34%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The percentages are calculated based on the 494,037,000 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) having an interest or short position in Shares, underlying Shares and debentures of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("**Share Option Scheme**") on 14 October 2015. Further details of the Share Option Scheme is available in pages 31 to 33 of the annual report of the Company for 2021.

No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2022, the Company has no outstanding share option under the Share Option Scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2021: Nil).

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

OTHER INFORMATION

CHANGES TO INFORMATION IN RESPECT OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of our Director since the publication of the 2021 annual report are as below:

Mr. Ong Chor Wei (“**Mr. Ong**”), the independent non-executive Director, had the following changes in his information:

1. Mr. Ong has been resigned as an independent non-executive director of Nameson Holdings Limited (stock code: 1982) with effect from 12 April 2022. and
2. Mr. Ong has been re-designated from a non-executive director to an executive director of GBA Holdings Limited (stock code: 261) with effect from 7 April 2022.

CHANGE OF COMPANY SECRETARY

Mr. Wong Yu Kit (“**Mr. Wong**”) has tendered his resignation as a joint company secretary of the Company and has ceased to act as an authorized representative of the Company under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the acceptance of service of process and notices on behalf of the Company in Hong Kong (the “**Process Agent**”) with effect from 29 August, 2022.

The Board resolved to accept Mr. Wong’s resignation, and on the same day appointed Ms. Anne Yu (“**Ms. Yu**”) as the Joint Company Secretary and Process Agent in replacement of Mr. Wong with effect from 29 August, 2022.

Ms. Anne Yu is a corporate secretarial executive of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years experiences in corporate secretarial field. Ms. Yu holds a bachelor’s degree from University of Huddersfield in the United Kingdom and a Master of Law degree from The University of Law in the United Kingdom and she is also an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers	7	34,844	31,120
Cost of sales		(28,443)	(27,523)
Gross profit		6,401	3,597
Selling and marketing expenses		(5,880)	(4,691)
Administrative expenses		(9,495)	(7,742)
Other gains (losses), net	8	620	(155)
Share of profit of an associate		11	–
Gain on disposal of a subsidiary	20	–	6,591
Finance income	9	55	64
Finance costs	9	(152)	(180)
Loss before tax		(8,440)	(2,516)
Income tax expense	10	–	–
Loss for the period		(8,440)	(2,516)
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		2,278	(644)
Other comprehensive income (expense) for the period		2,278	(644)
Total comprehensive expense for the period		(6,162)	(3,160)
(Loss) profit for the period attributable to:			
– Owners of the Company		(8,440)	3,009
– Non-controlling interests		–	(5,525)
		(8,440)	(2,516)
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		(6,162)	2,365
– Non-controlling interests		–	(5,525)
		(6,162)	(3,160)
(Loss) profit per share	11		
Basic and diluted (RMB per share)		(0.017)	0.006

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	NOTES	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	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	16	851	–
		59,695	62,432
Current assets			
Inventories	13	140,582	122,035
Trade receivables	14	20,277	34,957
Financial assets at fair value through other comprehensive income	15	1,690	15,091
Prepayments, deposits and other receivables		11,415	14,287
Restricted cash	16	3,329	5,626
Cash and cash equivalents	16	73,404	71,359
		250,697	263,355
Total assets		310,392	325,787
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,595	3,966
Deferred income		2,515	2,669
		5,110	6,635
Current liabilities			
Trade payables	17	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		3,703	3,703
		103,923	111,631
Total liabilities		109,033	118,266
Net assets		201,359	207,521

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	NOTE	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	31,423	31,423
Reserves		169,936	176,098
Total equity		201,359	207,521
Total equity and liabilities		310,392	325,787

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company					Total RMB'000
	Share capital	Share premium	Capital reserves	Other reserves	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (audited)	31,423	849,824	(552,410)	28,814	(150,130)	207,521
Loss for the period	-	-	-	-	(8,440)	(8,440)
Other comprehensive income for the period						
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	2,278	-	2,278
Total comprehensive income (expense) for the period	-	-	-	2,278	(8,440)	(6,162)
At 30 June 2022 (unaudited)	31,423	849,824	(552,410)	31,092	(158,570)	201,359

Note:

- i) In accordance with the respective articles of association and board resolutions, certain subsidiaries operated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory reserve before distributing any dividends. The statutory reserve can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the six months ended 30 June 2021, RMB618,000 (six months ended 30 June 2022: nil) was appropriated from retained earnings to the statutory reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash used in operating activities	(70)	(28,954)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,236)	(3,839)
Placement of restricted cash	(917)	(1,207)
Net cash inflow on disposal of a subsidiary	–	15,355
Withdrawal of pledged bank deposits	–	3,418
Withdrawal of restricted cash	2,363	1,879
Net cash from investing activities	210	15,606
FINANCING ACTIVITIES		
Repayments of lease liabilities	(254)	(1,023)
Interest paid	(152)	(180)
Net cash used in financing activities	(406)	(1,203)
Net decrease in cash and cash equivalents	(266)	(14,551)
Cash and cash equivalents at the beginning of the period	71,359	84,967
Effect of foreign exchange rate changes	2,311	(633)
Cash and cash equivalents at the end of the period	73,404	69,783

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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, this report is 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5. FAIR VALUE MEASUREMENT

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. SEGMENT INFORMATION

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

7. REVENUE

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

	Six months ended 30 June	
	2022 RMB’000 (Unaudited)	2021 RMB’000 (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
	34,844	31,120

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. OTHER GAINS (LOSSES), NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government grants (note)	207	60
Net foreign exchange gains (losses)	463	(69)
Write-off of property, plant and equipment	(68)	(194)
Others	18	48
	620	(155)

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.

9. FINANCE INCOME/FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

10. 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 (“**Gu’an Denox**”), 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

11. (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 RMB'000 (Unaudited)	2021 RMB'000 (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)	(8,440)	3,009

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

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.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of approximately RMB2,032,000 (six months ended 30 June 2021: approximately RMB5,115,000). Property, plant and equipment with an aggregate carrying amount of approximately RMB68,000 was written off by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB194,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. INVENTORIES

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

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).

14. TRADE RECEIVABLES

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

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 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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
	20,277	34,957

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bill receivables	1,690	15,091

As at 30 June 2022 and 31 December 2021, financial assets at fair value through other comprehensive income represented bill receivables where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

16. RESTRICTED CASH/CASH AND CASH EQUIVALENTS

Restricted cash

Restricted cash are held as guarantee for bidding, product quality and performance of the Group's products. The guarantee period is ranged from one to two years. As at 30 June 2022, restricted cash amounting to RMB851,000 (31 December 2021: nil) is with guarantee period more than one year from the end of the reporting period and therefore classified as non-current assets. The restricted cash carried interest rate of 0.3% (31 December 2021: 0.3%) per annum as at 30 June 2022.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Cash at bank carried interest rates ranging from 0.1% to 0.35% (31 December 2021: 0.1% to 0.35%) per annum as at 30 June 2022.

17. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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
	12,083	13,052

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. SHARE CAPITAL

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

Ordinary shares of USD0.01 each

Authorised

At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022 (unaudited)

5,000,000 50,000

	Number of shares '000	Share capital RMB'000
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Issued and fully paid

At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022 (unaudited)

494,037 31,423

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

19. CAPITAL COMMITMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Commitment to contribute capital to an associate (note i)	1,400	1,400
Capital expenditure contracted for but not provided in the condensed consolidated interim financial statements in respect of acquisition of property, plant and equipment	161	1,114

Note:

- (i) In February 2019, Gu'an Denox, a subsidiary of the Company, and two third party individuals established Langfang Denox Environmental & Technology Co., Ltd ("Langfang Denox"), a company engaged in development and manufacture of DeNOx catalysts for vehicles, in which the Group will make a capital contribution of RMB2,000,000 and hold 40% of its total interests. As at 30 June 2022 and 31 December 2021, the Group contributed an amount of RMB600,000 to Langfang Denox.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. DISPOSAL OF A SUBSIDIARY

On 8 March 2021, the Group entered into a sale and purchase agreement with Mr. Chen Zheng Fang (陳正芳), the non-controlling shareholder of the Group in which the Group agreed to dispose of the entire 51% equity interest of a subsidiary, Wuxi Denox Environmental & Technology Co., Ltd (“**Wuxi Denox**”), with the cash consideration of approximately RMB15,401,000. The transaction was completed in April 2021. Details are disclosed in the Group’s announcement dated 8 March 2021. As at 31 December 2021, cash consideration of approximately RMB15,401,000 was fully settled.

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

	RMB'000 (Audited)
Property, plant and equipment	9,674
Right-of-use assets	7,266
Intangible assets	2,503
Inventories	4,119
Financial assets at fair value through other comprehensive income	698
Other receivables	119
Cash and cash equivalents	795
Trade and other payables	(6,734)
Income tax payable	(3,849)
Deferred tax liability	(1,291)
Net assets disposed of	13,300
Less: Non-controlling interests	(6,517)
	6,783
Gain on disposal of a subsidiary:	
Consideration received	15,401
Net assets disposed of	(13,300)
Non-controlling interests	6,517
Gain on disposal of a subsidiary	8,618
	RMB'000 (Audited)
Net cash inflow arising on disposal:	
Cash consideration received	15,401
Less: Cash and cash equivalents disposed of	(795)
	14,606

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. RELATED PARTY TRANSACTIONS

- (a) The following companies and persons are related parties of the Group during the six months ended 30 June 2022 and 2021:

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

(b) Transactions with related parties

- (i) In prior years, the Group entered into a five-year lease in respect of a property from Mr. Chen Qizhao. The amount of rent payable by the Group under the lease is RMB313,000 per year. As at 30 June 2022, the carrying amount of such lease liabilities is RMB300,000 (31 December 2021: RMB287,000). During the six months ended 30 June 2022 and 2021, the Group did not make any lease payment to Mr. Chen Qizhao.
- (ii) In prior years, the Group entered into a five-year lease in respect of a property from Zhongyu Environmental. The amount of rent payable by the Group under the lease is RMB44,000 per year. As at 30 June 2022 and 31 December 2021, the carrying amount of such lease liabilities is nil. During the six months ended 30 June 2022 and 2021, the Group did not make any lease payment to Zhongyu Environmental.