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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Denox Environmental & Technology Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**") together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	3	**62,791**	71,460
Cost of sales		**(49,401)**	(59,237)
Gross profit		**13,390**	12,223
Selling and marketing expenses		**(15,817)**	(13,316)
Administrative expenses		**(17,460)**	(20,213)
Research and development expenses		**(5,745)**	(6,891)
Impairment loss reversed (recognised) in respect of trade receivables, net		**429**	(486)
Other gains, net	4	**1,590**	713
Share of result of an associate		**17**	91
Gain on disposal of a subsidiary		**–**	8,618
Finance income	5	**321**	87
Finance costs	5	**(256)**	(279)
Loss before tax		**(23,531)**	(19,453)
Income tax expenses	6	**–**	–
Loss for the year	7	**(23,531)**	(19,453)
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		**4,685**	(1,630)
Other comprehensive income (expense) for the year		**4,685**	(1,630)
Total comprehensive expense for the year		**(18,846)**	(21,083)

	NOTES	2022 RMB'000	2021 RMB'000
Loss for the year attributable to:			
– Owners of the Company		**(23,531)**	(12,296)
– Non-controlling interests		**–**	(7,157)
		(23,531)	(19,453)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(18,846)**	(13,926)
– Non-controlling interests		**–**	(7,157)
		(18,846)	(21,083)
Loss per share attributable to owners of the Company	*8*		
Basic and diluted (RMB per share)		**(0.05)**	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	**2022** **RMB'000**	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**43,004**	46,751
Right-of-use assets		**10,042**	14,455
Intangible assets		**–**	–
Interest in an associate		**108**	91
Long-term prepayments		**351**	1,135
		53,505	62,432
Current assets			
Inventories	*10*	**160,950**	122,035
Trade receivables	*11*	**15,502**	34,957
Financial assets at fair value through other comprehensive income		**4,398**	15,091
Prepayments, deposits and other receivables		**7,402**	14,287
Restricted cash		**2,600**	5,626
Bank deposits with original maturity over three months		**46,025**	–
Bank balances and cash		**24,017**	71,359
		260,894	263,355
Total assets		**314,399**	325,787
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,675**	3,966
Deferred income		**2,361**	2,669
		4,036	6,635

	NOTES	2022	2021
		RMB'000	RMB'000
Current liabilities			
Trade payables	12	**11,217**	13,052
Accruals and other payables		**7,886**	10,279
Contract liabilities		**97,307**	82,323
Deferred income		**308**	308
Lease liabilities		**1,267**	1,966
Tax payables		**3,703**	3,703
		121,688	111,631
Total liabilities		**125,724**	118,266
Net assets		**188,675**	207,521
EQUITY			
Equity attributable to owners of the Company			
Share capital		**31,423**	31,423
Reserves		**157,252**	176,098
		188,675	207,521
Total equity		**188,675**	207,521
Total equity and liabilities		**314,399**	325,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Denox Environmental & Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 7 November 2014 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in design, development and manufacture of DeNOx catalysts in the People's Republic of China (the "**PRC**"). The ultimate holding company of the Group is Advant Performance Limited, a company incorporated in the British Virgin Islands ("**BVI**") which is wholly-owned by Ms. Zhao Shu (the "**Controlling Shareholder**").

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

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

These consolidated annual financial statements were approved by the board of directors of the Company for issue on 29 March 2023.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current " (the "2020 Amendments") and Amendments to IAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	**51,945**	34,373
• Honey-comb DeNOx catalysts	**9,551**	18,310
• DeNOx catalysts for vehicles	**1,295**	18,777
	62,791	71,460

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

4. OTHER GAINS, NET

	2022	2021
	RMB'000	*RMB'000*
Government grants *(note)*	**831**	937
(Loss) gain on disposal of property, plant and equipment, net	**(218)**	61
Net foreign exchange gain (loss)	**658**	(322)
Gain on early termination of leases	**254**	–
Gain on lease modification	**22**	–
Others	**43**	37
	1,590	713

Note: During the year ended 31 December 2021, the Group received a government subsidy of approximately RMB3,080,000 for acquisition of machineries, which has been treated as deferred income and is amortised to profit or loss over the useful lives of the related machineries. This policy has resulted in a credit to profit or loss in the current period of approximately RMB308,000 (2021: RMB103,000).

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

5. FINANCE INCOME/FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Finance income		
Interest income on bank balances and cash, restricted cash and bank deposits with original maturity over three months	**321**	87
Finance costs		
Interest expenses on lease liabilities	**(256)**	(279)

6. INCOME TAX EXPENSES

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2022 and 2021.

No provision for Hong Kong Profits Tax of 16.5% has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 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 of the Group is 25%.

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiary, Gu'an Denox Environmental Equipment Manufacturing Co., Ltd, ("**Gu'an Denox**"), was accredited as high-tech enterprises. It is entitled to the preferential tax rate of 15% for the years ended 31 December 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 years ended 31 December 2022 and 2021.

7. LOSS FOR THE YEAR

	2022	2021
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors' emoluments	**938**	1,138
Other staffs' wages, salaries and bonuses	**17,817**	15,417
Other staffs' retirement benefits schemes contributions	**2,526**	2,703
Other staffs' welfare and allowance	**1,097**	1,194
Total employee benefits expenses	**22,378**	20,452
Auditor's remuneration	**604**	788
Depreciation of property, plant and equipment	**5,944**	4,500
Depreciation of right-of-use assets	**2,176**	2,426
Amortisation of intangible assets	**–**	354
Net foreign exchange (gain) loss	**(658)**	322
Impairment loss (reversed) recognised in respect of trade receivables, net	**(429)**	486
Write-down of inventories included in cost of sales *(note)*	**430**	824
Amount of inventories recognised as an expense	**48,971**	58,413

Note: During the year ended 31 December 2022, write-down of inventories of approximately RMB430,000 (2021: RMB824,000) was made for obsolete inventories that no longer suitable for use in production or saleable in the market.

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2022	2021
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(23,531)**	(12,296)

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

The diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

10. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**17,363**	20,467
Work-in-progress	**695**	1,262
Finished goods	**26,354**	22,208
Goods in transit	**116,538**	78,098
	160,950	122,035

During the year ended 31 December 2022, write-down of inventories of approximately RMB430,000 (2021: RMB824,000) was recognised and included in cost of sales for obsolete inventories that no longer suitable for use in production or saleable in the market.

11. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**18,633**	38,791
Less: Allowance for impairment of trade receivables	**(3,131)**	(3,834)
	15,502	34,957

As at 31 December 2022, the gross amount of trade receivables arising from contracts with customers amounted to RMB18,633,000 (2021: RMB38,791,000).

The Group allows a credit period of 30 days to 90 days (2021: 30 days to 90 days) to its customers. The following is an ageing 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.

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**8,267**	18,332
1 year to 2 years	**4,842**	7,951
2 years to 3 years	**1,755**	7,413
Over 3 years	**638**	1,261
	15,502	34,957

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

12. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**11,217**	13,052

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

	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**8,183**	12,960
6 months to 1 year	**1,791**	–
1 year to 2 years	**1,134**	45
Over 2 years	**109**	47
	11,217	13,052

The average credit period on purchases is from 30 days to 60 days (2021: 30 days to 60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES

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

THE GROUP'S MANAGEMENT ANALYSIS REPORT FOR 2022 AND OUTLOOK ON THE WORK FOR 2023

I. Work overview of the Group for 2022

Despite the continued downturn in the global economy in 2022, and also under the political context of the Russia-Ukraine war, the global geopolitical and economic development encountered greater uncertainty. China's overall economy also experienced great difficulties in 2022 due to the impact of the pandemic and other economic situations at home and abroad, and delivered a year-on-year GDP growth of 3% in 2022, falling short of the set target. In 2022, there still existed fierce competition for DeNOx catalysts in the industrial field, but at the same time, new demand trends have emerged in some industries. The vehicle catalyst field as a whole was affected more seriously by the pandemic, and the vehicle catalyst market also experienced a sharp decline.

(I) Traditional plate-type and honeycomb DeNOx catalysts

1. Current market situation

(1) Electric power field

The DeNOx catalyst market in the thermal power field has completely entered the mature stage under a normal pattern, which is mainly the existing catalyst replacement market. Most of the orders for catalysts in the thermal power field come from regular projects without too stringent technical barriers, and the competition is becoming increasingly fierce. Thermal power catalyst projects support the fundamental development of the Group, and can dilute the Group's operating costs, despite the overall low gross profit. Therefore, the Group is also actively participating in the competition.

(2) Other industrial sectors

The market in other industrial sectors has generally experienced relatively steady development, and with the clarification of China's pollutant control indicators for all industries and over the passage of time, some industries such as cement and metallurgy will gradually enter the normal market stage. Other relatively small industrial sectors, such as alumina and glass, are characterized by small contract amount of an individual project, dispersion and numerosity, and therefore there is space for market expansion.

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

(1) Marketing and after-sale services

2022 was an extremely difficult year due to the impact of the pandemic, but the Group still made steady progress in marketing. As at 31 December 2022, the Group has completed catalyst technical solutions for 690 projects, submitted 168 official bids with customers such as power generation companies and local power plants, entered into a total of 85 supply contracts, and received payments for a total of 30 projects.

The outstanding achievements in the Group's market development in 2022 mainly include:

- Achieved a breakthrough 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 breakthrough performance 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 breakthrough performance in RTO industry.

- The Group successfully entered into a cracking furnace DeNOx catalyst project in Baofeng, Ningxia, thereby achieving a breakthrough performance in petrochemical cracking industry.

- The Group successfully entered into a gas turbine DeNOx catalyst project, marking a start of the large-scale application in the gas turbine industry.

(2) Product manufacturing

In 2022, the total production volume of the Group increased steadily. Through constantly adopting various methods such as formula optimization, process adjustment, quality control, and improvement of personnel efficiency, the Group mitigated the pressure of increases in prices of some raw materials, thereby assuring the gross profit of plate-type catalysts and improving the gross profit of honeycomb catalysts.

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

1. The Group's vehicle catalyst business was greatly affected by the overall market decline, and the newly developed customers for natural gas catalysts in the second half of 2021 were basically in a state of semi-suspension, which also resulted in the stagnation of the Group's natural gas catalyst orders throughout the year, and the Group only realised sales to certain small OEM customers and aftermarket customers in 2022.

2. In 2022, under the circumstance where the sales of vehicle catalysts of the Group were hindered, the Group strengthened the control of expenses and expenditures and carried out targeted product research and development for 3 strategic projects and 9 customer projects in the field of vehicle catalysts. Meanwhile, the Group also prepared in advance for the recovery of original customer orders, continued to carry out research and development, and strived to reduce the manufacturing cost of products.

II. Key work arrangements of the Group for 2023

(I) Plate-type and honeycomb DeNOx catalysts

1. In 2023, the Group will further strengthen its marketing efforts to enhance the brand awareness of Denox Catalyst through various channels and tools such as corporate Wechat account, company website, industry website, Baidu search, Google's platform, industry fairs and exhibitions, promotional videos, brochures, etc.

2. In 2023, the Group will continue to strengthen market expansion by further reinforcing regional marketing capabilities in the domestic market, and summarizing previous experience in the international market to establish an excellent sales team familiar with the rules and customer needs in international market, so as to pursue good achievements in both domestic and foreign markets.

3. The Group will monitor the market demand for new types of catalysts in the industrial field, and intensify the development of cutting-edge technologies in relevant industries. The Group will integrate internal and external technical resources to develop and market relevant products as soon as possible to achieve a better gross profit.

(II) Vehicle catalyst related products

1. Research and development

In 2023, the focus of the Group's research and development in vehicle catalysts will include:

(1) Continue the development of catalyst products for China VI diesel-powered vehicles;

(2) Continue the optimization and cost reduction of catalyst products for China VI natural gas-powered vehicles;

(3) Carefully carry out the development of catalysts for proprietary projects and vehicle aftermarket;

2. Market development

In 2022, the pandemic dramatically impacted the market for all products along the commercial vehicle industry chain, which is expected to gradually recover in 2023. Under such circumstance, the Group will make efforts to restore the orders from customers in existing markets, and continue to vigorously develop new OEM customers and aftermarket.

3. Cost control

In light of the gradual recovery of the vehicle industry market in 2023, the Group will concentrate funds, manpower and other resources to ensure market exploitation and research and development of key projects, and further control various costs and expenses, striving to achieve a balance between broadening sources of income and reducing expenditure.

(III) Other key work of the Group

In 2023, the Group will further strengthen its daily management applying modern management tools and methods, including:

1. In terms of daily office management, improve work efficiency through Ding Talk system;

2. In terms of purchase, sales, inventory and financial management, ensure the accuracy, real-time sharing and real-time analysis of data through enterprise resource planning system;

3. In terms of production management, ensure production safety and overall production process control through distributed control system.

The above modern management tools and scientific remuneration assessment system will enable the management of the Group to perform management functions more efficiently, and thus lay a good foundation for the Group's further business improvement.

FINANCIAL REVIEW

Revenue from contracts with customers

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

	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Plate-type DeNOx catalysts	**51,945**	**82.7**	34,373	48.1
Honey-comb DeNOx catalysts	**9,551**	**15.2**	18,310	25.6
DeNOx catalysts for vehicles	**1,295**	**2.1**	18,777	26.3
	62,791	**100.0**	71,460	100.0

The Group recorded a total revenue of approximately RMB62.8 million in 2022, representing a decrease of 12.1% as compared to approximately RMB71.5 million in 2021.

Revenue generated from sales of plate-type DeNOx catalysts increased to approximately RMB51.9 million, representing an increase of 50.9% as compared to approximately RMB34.4 million of the same period in 2021, which was primarily attributable to fluctuations in market demand. The average selling price of plate-type DeNOx catalysts per m^3 increased by approximately 12.3% from RMB11,362 per m^3 in 2021 to RMB12,758 per m^3 in 2022, while the sales volume of plate-type DeNOx catalysts increased by approximately 22.4% from 3,791 m^3 in 2021 to 4,642 m^3 in 2022. The plate-type DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc.

Revenue generated from sales of honey-comb DeNOx catalysts decreased by 47.5% from approximately RMB18.3 million for the same period in 2021 to approximately RMB9.6 million in 2022, mainly due to fluctuations in market demand. The average selling price of honey-comb DeNOx catalysts per m^3 decreased by approximately 5.2% from RMB14,239 per m^3 in 2021 to RMB13,493 per m^3 in 2022, and the sales volume of honey-comb catalysts decreased by approximately 38.8% from 1,299 m^3 in 2021 to 795 m^3 in 2022. The honey-comb DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc. The number of contracts signed for honey-comb DeNOx catalysts in 2022 increased significantly as compared with 2021, but due to the impact of various factors such as the pandemic, the obstruction of product delivery logistics and the lockdown of customers' construction sites, the revenue recognized for honey-comb DeNOx catalysts in 2022 decreased as compared with 2021.

In 2022, the Group recorded a revenue from sales of DeNOx catalysts for vehicles of approximately RMB1.3 million. The significant decrease in the revenue from DeNOx catalysts for vehicles as compared with 2021 was mainly attributable to the dramatical drop in the entire commercial vehicle industry chain due to the impact of the pandemic, and the sharp decline in the production volume of customers developed by the Group, resulting in the Group being almost unable to provide catalysts to existing customers. Under such circumstances, the Group continued to promote the research and development and trial production of China VI catalysts and related products while making every effort to control research and development expenses.

Gross profit

In 2022, the Group recorded a gross profit of approximately RMB13.4 million due to the increase in the production volume of honey-comb DeNOx catalysts, which in turn further resulted in the decrease in production costs. In 2021, the Group recorded a gross profit of approximately RMB12.2 million as a result of continued vicious market competition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation cost, consulting service expenses and employee benefit expenses, etc. The Group's sales and marketing expenses increased in 2022 as compared to 2021, mainly due to the increased product marketing efforts, representing 18.6% and 25.2% of the Group's total revenue from contracts with customers in 2021 and 2022, respectively.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation. The Group's administrative expenses decreased by 13.4% from approximately RMB20.2 million in 2021 to approximately RMB17.5 million in 2022 which was primarily attributable to the decrease in various intermediaries' fees.

Finance income/costs

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

Loss attributable to the owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company increased by 91.1% from approximately RMB12.3 million in 2021 to approximately RMB23.5 million in 2022.

Other performance indicators

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

	As at or for the year ended 31 December	
	2022	2021
Current Ratio *(Note 1)*	**2.1 times**	2.4 times
Quick Ratio *(Note 2)*	**0.8 times**	1.3 times
Return on equity *(Note 3)*	**N/A**	N/A
Return on total assets *(Note 4)*	**N/A**	N/A

Notes:

(1) Current ratio is calculated based on total current assets of the Group divided by total current liabilities of the Group as at the end of the respective year.

(2) Quick ratio is calculated based on total current assets of the Group less inventories of the Group divided by total current liabilities of the Group as at the end of the respective year.

(3) Return on equity is calculated by dividing income attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company.

(4) Return on total assets is calculated by dividing income attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total assets of the Group.

Current ratio and quick ratio

The Group's current ratio decreased from 2.4 times as at 31 December 2021 to 2.1 times as at 31 December 2022 and quick ratio decreased from 1.3 time as at 31 December 2021 to 0.8 times as at 31 December 2022. Such decrease was mainly due to the increase in down payment from customers of approximately RMB82.3 million as at 31 December 2021 to approximately RMB97.3 million as at 31 December 2022 because more sales contracts were awarded in the second half of 2022.

Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2021 and 2022, as it has recorded a loss attributable to the owners of the Company for the years ended 31 December 2021 and 2022.

Liquidity and Capital Resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 31 December 2022, the Group had net current assets of approximately RMB139.2 million (2021: approximately RMB151.7 million) of which cash and cash equivalents were approximately RMB24.0 million (2021: approximately RMB71.4 million) and were denominated in RMB, US$, HK$ and Euro€ as at 31 December 2022.

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

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2021 and 31 December 2022.

Use of net proceeds from the Listing

As at 31 December 2022, net proceeds of the Group not utilised of approximately RMB26.1 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the prospectus of the Company dated 30 October 2015, taking into account the reallocations as set out in the announcements of the Company dated 28 December 2020 and 28 December 2022 respectively.

Purposes	Original allocation of net proceeds as stated in the Prospectus *RMB'million*	Re-allocation of net proceeds on 28 December 2020 *(Note 1)* *RMB'million*	Unutilized net proceeds as at 31 December 2021 *RMB'million*	Utilized net proceed during the year ended 31 December 2022 *RMB'million*	Unutilized net proceeds as at 31 December 2022 *RMB'million*	Reallocation in use of proceeds on 28 December 2022 *(Note 1)* *RMB'million*	New allocation for unutilized amount of net Proceeds *RMB'million*	Expected timeline for fully utilization of the remaining proceeds *(Note 2)*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	3.5	75.1	3.5	(3.5)	–	N/A
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	–	21.9	–	–	–	N/A
Research and development	17.1	17.1	1.5	17.1	–	16.1	16.1	Fourth quarter of 2025
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	6.9	1.3	5.9	1	(1)	–	N/A
Replacement of the Group's No. 1 production line	5.1	3.5	–	3.5	–	–	–	N/A
Working capital and general corporate purposes	17.1	43	23.2	21.4	21.6	(11.6)	10	Fourth quarter of 2025
Total	171.0	171.0	29.5	144.9	26.1	–	26.1	

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

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

Borrowings

The Group had no outstanding bank loans and other borrowings as at 31 December 2021 and 2022.

Pledge of Assets

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

Capital expenditure and commitment

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. For the year ended 31 December 2022, the Group had invested approximately RMB2.4 million for the purchase of property, plant and equipment (2021: approximately RMB6.1 million). These capital expenditures were financed by internal resources of the Group.

The Group did not have any capital commitments (2021: Nil) outstanding at 31 December 2022 not provided in the financial statements.

Contingent liabilities

The Group did not have any material contingent liabilities, guarantees and litigation as at 31 December 2021 and 2022.

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

Save as disclosed, there were no significant investments held, no material acquisitions of the Company or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Save as disclosed, there was no plan authorised by the Board for other material investments or additions of capital assets of the Group at the date of this announcement.

Employees and Remuneration

As at 31 December 2022, the Group had 182 employees (2021: 171). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the directors, senior management and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Please refer to the section headed "Share Option Scheme" for details. The Group's growth is dependent upon the skills and dedication of employees. The Group recognises the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Important events affecting the Group after the Reporting Period

No important events affecting the Group has taken place since 31 December 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.

IMPACT OF COVID-19 TO THE GROUP

The COVID-19 epidemic has generally had a greater impact on the global and Chinese economies, and the industrial and vehicle catalyst fields where the Group is located are also not immune. The impact of the epidemic on the Group's business is reflected in:

1. Although the market changes in industrial catalysts are not obvious, due to the tight control measures of the epidemic, the Group has encountered greater difficulties in the production of catalysts and delivery of goods, which has increased the Group's risk of contract breach;

2. The Group's vehicle catalyst business is mainly concentrated in the field of commercial vehicles, and the impact of the epidemic on the logistics and transportation industry has directly led to a sharp decline in related businesses in the commercial vehicle industry chain.

It is expected that as the epidemic situation continues to weaken, the above-mentioned related businesses of the Group will gradually resume in 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 16 June 2023 (the "**Annual General Meeting**"), the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong

Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE MODEL CODE

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code during the Reporting Period. Throughout the Reporting Period, the Company has complied with the relevant code provisions of the CG Code with the exception of code provision C.2.1. Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Ms. Zhao Shu, who is also the chairlady of the Company; and (b) Ms. Zhao Shu is the chairlady of the Group and has extensive experience in the Group's business operations and management in general, there is no separation of the roles of the chairlady and the chief executive officer of the Company. Given the current stage of the development of the Group, the Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company.

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

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

REVIEW BY THE AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2022 in conjunction with the Company's auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, CL Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 29 March 2023. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners CPA Limited on the preliminary announcement.

PUBLICATION OF 2022 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.china-denox.com) and the Stock Exchange's website (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2022 and notice of the forthcoming annual general meeting will be made available on the websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in April 2023.

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

Hong Kong, 29 March 2023

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