



迪诺斯

DenoX Environment

**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

2023

Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. ZHAO Shu (*Chairlady*)

Mr. LI Ke

Non-executive Director

Mr. LI Xingwu

Independent non-executive Directors

Ms. CHAN Yeuk Wa

Mr. LI Min

Mr. ONG Chor Wei

Audit Committee

Ms. CHAN Yeuk Wa (*Chairlady*)

Mr. LI Min

Mr. ONG Chor Wei

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

Authorised Representatives

Ms. ZHAO Shu

Mr. LIU Lianchao

Auditor

CL Partners CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

3203 A-5, Tower 2,

Lippo Centre, 89 Queensway,

Admiralty, Hong Kong

Registered Office in Cayman Islands

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

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 1506-1, 12th Floor, Block 2

No. 128 Western South Fourth Ring Road,

Fengtai District

Beijing 100070

People's Republic of China

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

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

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

The Company's Management Analysis Report for the First Half of 2023 and Outlook on the Work for the Second Half of 2023

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

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

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

1. Current market situation

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(1) Marketing and after-sale services

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Product manufacturing

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

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

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

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

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

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

(I) Industrial DeNOx catalysts Business

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

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

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

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

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

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 amount and as percentages of total revenue for the periods indicated:

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

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

The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants. Revenue generated from sales of plate-type DeNOx catalysts for the Period decreased to approximately RMB7.2 million, representing a decrease of 74.5% as compared to approximately RMB28.2 million of the same period in 2022, which was primarily attributable to the decrease in the average selling price and sales volume of plate-type DeNOx catalysts during the Period.

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

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

Gross profit

During the Period, the Group recorded gross profit of approximately RMB9.6 million which resulted from the selling price rebound of honey-comb DeNOx catalysts while the Group recorded gross profit of approximately RMB6.4 million of the same period in 2022.

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, resulting in an increase in marketing expenses. Due to the greater effort in customer development during the Period, the number of new contracts increased remarkably, and new shipments also increased, resulting in an increase in transportation expenses, consulting and business expenses and travel expenses for the Period. As a whole, the Group's selling and marketing expenses increased by 66.1% to approximately RMB9.8 million for the Period from approximately RMB5.9 million of the same period in 2022.

Administrative expenses

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

Finance cost, net

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

Loss for the period

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

Liquidity and capital resources

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 30 June 2023, the Group had net current assets of approximately RMB135.2 million (31 December 2022: approximately RMB139.2 million) of which cash and cash equivalents were approximately RMB23.0 million (31 December 2022: approximately RMB24.0 million) and were denominated in RMB, United States Dollar, Euro and Hong Kong Dollar.

The gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group had no outstanding bank loans and other borrowings as at 30 June 2023 (31 December 2022: Nil) and the resulting gearing ratio was Nil (31 December 2022: Nil).

Pledge of Assets

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

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from the Listing

As at 30 June 2023, net proceeds of the Group not utilised of approximately RMB22.5 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed “Use of proceeds” of the prospectus of the Company dated 30 October 2015, taking into account the reallocations as set out in the announcements of the Company dated 28 December 2020 and 28 December 2022 respectively.

Purposes	Original allocation of net proceeds as stated in the prospectus	New allocation of net proceeds <i>(Note 1)</i>	Amount utilized up to 30 June 2023	Amount unutilized up to 30 June 2023	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) <i>(Note 2)</i>
	RMB'million	RMB'million	RMB'million	RMB'million	
Development of DeNOx catalysts for diesel-powered vehicles	78.6	75.1	75.1	–	N/A
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	21.9	–	N/A
Research and development	17.1	33.2	19.5	13.7	Fourth quarter of 2025
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	5.9	5.9	–	N/A
Replacement of the Group's No. 1 production line	5.1	3.5	3.5	–	N/A
Working capital and general corporate purposes	17.1	31.4	22.6	8.8	Fourth quarter of 2025
Total	171.0	171.0	148.5	22.5	

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

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

Capital expenditures

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. During the Period, the Group invested approximately RMB0.2 million (six months ended 30 June 2022: RMB2.0 million) for purchase of property, plant and equipment. These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 30 June 2023, the Group had capital commitment amounted to RMB1.4 million (31 December 2022: RMB1.4 million) for capital contribution to an associate company, Langfang Denox Environmental & Technology Co., Ltd., which is principally engaged in development and manufacture of DeNOx catalysts for vehicles. As at 30 June 2023, the Group had capital commitment amounted to approximately RMB1.1 million (31 December 2022: RMB1.1 million) for acquisition of property, plant and equipment.

Contingent liabilities

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

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

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

Charges on the Group's assets

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

Important events affecting the Group after the Period

Save as other disclosed in this interim report, the Board is not aware of any other important events affecting the Group that have taken place subsequent to 30 June 2023 and up to the date of this interim 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 relating to certain of its bank deposits which were denominated in Hong Kong Dollars, United States Dollars and Euro. The Group did not carry out any hedging activities against foreign currency risk during the Period. Any substantial fluctuation in exchange rate of foreign currencies against RMB may have a financial impact to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration

As at 30 June 2023, the Group had 185 employees (31 December 2022: 182). Remuneration of the employees of the Group amounted to RMB11.9 million for the Period (for the six months ended 30 June 2022: RMB9.7 million). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the Directors, senior management members and employees was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group has adopted a Share Option Scheme on 14 October 2015. Further information of the Share Option Scheme is available in the annual report of the Company for the year ended 31 December 2022. As the growth of the Group is dependent upon the skills and dedication of its employees, the Group recognises the importance of human resources in competitive industry and has devoted resources to provide training to employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and 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 were as follows:

Name of Directors	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
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	Interest in controlled corporation (Note 4)	51,075,015 (L)	10.34%
Mr. Li Ke	Interest in controlled corporation (Note 5)	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 2023.
- These 153,031,609 Shares are held by Advant Performance Limited 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 which is wholly owned by Mr. Li Xingwu. Mr. Li Xingwu 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 2023, 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 as disclosed in the annual report of the Company for the year ended 31 December 2022, 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 2023, so far as the Directors were aware, the following persons' (other than the Directors and chief executives of the Company) had interest 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 Shareholders	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Advant Performance Limited	Beneficial owner	153,031,609 (L)	30.98%
EEC Technology Limited	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 2023.

Save as disclosed above, as at 30 June 2023, 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 on 14 October 2015. Further details of the Share Option Scheme is available on pages 30 to 32 of the annual report of the Company for the year ended 31 December 2022.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2023, the Company has no outstanding share option under the Share Option Scheme.

The number of options available for grant under the Share Option Scheme at the beginning and the end of the Period are both 49,403,700.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with the applicable code provisions of the CG 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 chairperson 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" on page 9 of the annual report of the Company for the year ended 31 December 2022.

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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no changes in the information of our Directors and chief executives of the Company subsequent to the date of the 2022 annual report and up to the date of this interim report.

REVIEW BY THE AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated interim financial statements for the Period, and also discussed the accounting policies, accounting standards and practices adopted by the Group with the management.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	40,270	43,004
Right-of-use assets		9,179	10,042
Interest in an associate		115	108
Long-term prepayments		–	351
Restricted cash	16	470	–
		50,034	53,505
Current assets			
Inventories	13	182,530	160,950
Trade receivables	14	19,102	15,502
Financial assets at fair value through other comprehensive income	15	1,950	4,398
Prepayments, deposits and other receivables		12,254	7,402
Restricted cash	16	1,476	2,600
Bank deposits with original maturity over three months	16	47,777	46,025
Bank balances and cash	16	23,022	24,017
		288,111	260,894
Total assets		338,145	314,399
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,191	1,675
Deferred income		2,207	2,361
		4,398	4,036
Current liabilities			
Trade payables	17	29,223	11,217
Accruals and other payables		6,018	7,886
Contract liabilities		113,237	97,307
Deferred income		308	308
Lease liabilities		405	1,267
Tax payables		3,703	3,703
		152,894	121,688
Total liabilities		157,292	125,724
Net assets		180,853	188,675

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
EQUITY			
Equity			
Share capital	18	31,423	31,423
Reserves		149,430	157,252
Total equity		180,853	188,675
Total equity and liabilities		338,145	314,399

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Accumulated losses 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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
At 1 January 2023 (audited)	31,423	849,824	(552,410)	33,499	(173,661)	188,675
Loss for the period	-	-	-	-	(9,782)	(9,782)
Other comprehensive income for the period						
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	1,960	-	1,960
Total comprehensive income (expense) for the period	-	-	-	1,960	(9,782)	(7,822)
At 30 June 2023 (unaudited)	31,423	849,824	(552,410)	35,459	(183,443)	180,853

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash used in operating activities	(1,108)	(70)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(237)	(1,236)
Placement of restricted cash	(470)	(917)
Proceeds on disposal of property, plant and equipment	9	–
Placement of pledged bank deposits	(1,752)	–
Withdrawal of restricted cash	1,124	2,363
Net cash (used in)/generated from investing activities	(1,326)	210
FINANCING ACTIVITIES		
Repayments of lease liabilities	(406)	(254)
Government grants received	70	–
Interest paid	(185)	(152)
Net cash used in financing activities	(521)	(406)
Net decrease in cash and cash equivalents	(2,955)	(266)
Cash and cash equivalents at the beginning of the period	24,017	71,359
Effect of foreign exchange rate changes	1,960	2,311
Cash and cash equivalents at the end of the period	23,022	73,404

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL

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

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

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

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

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

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

The application of the new and amendments to IFRSs in the current interim reporting period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2022.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 2023

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	
	2023 RMB'000 (Unaudited)	2022 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	7,195	28,236
• Honey-comb DeNOx catalysts	30,780	5,950
• DeNOx catalysts for vehicles	14,314	658
	52,289	34,844

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 2023

8. OTHER GAINS, NET

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

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

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

9. FINANCE INCOME/FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 and 2022.

No provision for Hong Kong Profits Tax of 16.5% has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2023 and 2022.

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

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

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

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	(9,782)	(8,440)

	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 six months ended 30 June 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of approximately RMB237,000 (six months ended 30 June 2022: approximately RMB2,032,000). None of Property, plant and equipment was written off by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB68,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. INVENTORIES

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

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

14. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the date of revenue recognition dates, at the end of the interim reporting period.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bill receivables	1,950	4,398

As at 30 June 2023 and 31 December 2022, 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. BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/RESTRICTED CASH/BANK BALANCES AND CASH

Bank deposits with original maturity over three months

As at 30 June 2023, bank deposits with original maturity over three months amounting to RMB47,777,000 (31 December 2022: RMB46,025,000). The pledged bank deposits carried interest rate ranging from 4% to 5.07% (31 December 2022: 4% to 5.07%) per annum as at 30 June 2023.

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 2023, restricted cash amounting to RMB470,000 (31 December 2022: 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 ranging from 0.001% to 1.1% (31 December 2022: ranging from 0.001% to 1.1%) per annum as at 30 June 2023.

Bank balances and cash

Bank balances and cash comprise cash at bank and in hand. Cash at bank carried interest rates ranging from 0.001% to 0.35% (31 December 2022: 0.001% to 0.35%) per annum as at 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. TRADE PAYABLES

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

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

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

18. SHARE CAPITAL

	Number of shares '000	Share capital USD'000
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Ordinary shares of USD0.01 each

Authorised

At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 (unaudited)

	5,000,000	50,000
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	Number of shares '000	Share capital RMB'000
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Issued and fully paid

At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 (unaudited)

	494,037	31,423
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None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. CAPITAL COMMITMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 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	1,115	1,115

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 2023, the Group contributed an amount of Nil (31 December 2022: Nil) to Langfang Denox.

20. RELATED PARTY TRANSACTIONS

- (a) The following companies and persons are related parties of the Group during the six months ended 30 June 2023 and 2022:

Name of related party	Nature of relationship
Mr. Chen Qizhao	Close family member of the Controlling Shareholder

(b) Transactions with related parties

In current year, the Group has extended a two-year lease in respect of a property from Mr. Chen Qizhao. The amount of rent payable by the Group under the lease is RMB329,000 per year.

GLOSSARY

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	Corporate Governance Code contained in Appendix 14 of the Listing Rules
“China” or the “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this interim report, references in this interim report to China and the PRC exclude Taiwan, Macau Special Administrative Region and Hong Kong Special Administrative Region
“Company”	Denox Environmental & Technology Holdings Co., Ltd., an exempted company incorporated in Cayman Islands with limited liability, the Shares of which is listed on Stock Exchange (stock code: 1452)
“DeNOx”	the process of reducing the NOx concentration in industrial flue gas emissions
“DeNOx catalyst”	a kind of chemical substance which is the core component of SCR, and acts by producing the chemical reaction to convert NOx into N2 and H2O. The basic element of the catalyst mainly includes TiO2 and V2O5
“Directors”	the directors of the Company
“Group” or “our”	Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“Period”	six months ended 30 June 2023
“plate-type DeNOx catalyst”	a plate-type DeNOx catalyst takes metal as the carrier. Surface coating is composed of active ingredient
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	the shares of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 14 October 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ms. Zhao”	Ms. Zhao Shu, the chairlady, an executive Director and chief executive officer of our Group and is our controlling shareholder
“%”	per cent