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**DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED**

**迪諾斯環保科技控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1452)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Denox Environmental & Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”) together with comparative figures for the corresponding period of 2023 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
	<i>NOTES</i>	<b>2024</b>	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>52,264</b>	52,289
Cost of sales		<u><b>(38,804)</b></u>	<u>(42,661)</u>
<b>Gross profit</b>		<b>13,460</b>	9,628
Selling and marketing expenses		<b>(11,796)</b>	(9,802)
Administrative expenses		<b>(12,226)</b>	(8,360)
Research and development expenses		<b>(2,303)</b>	(2,276)
Other income, gains and losses	5	<b>1,990</b>	1,204
Share of result of an associate		<b>4</b>	7
Finance income	6	<b>1,427</b>	62
Finance costs	6	<u><b>(213)</b></u>	<u>(245)</u>
<b>Loss before tax</b>		<b>(9,657)</b>	(9,782)
Income tax expense	7	<u><b>-</b></u>	<u>-</u>
<b>Loss for the period</b>		<u><b>(9,657)</b></u>	<u>(9,782)</u>
<b>Other comprehensive income</b>			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u><b>943</b></u>	<u>1,960</u>
<b>Other comprehensive income for the period</b>		<u><b>943</b></u>	<u>1,960</u>
<b>Total comprehensive expense for the period</b>		<u><b>(8,714)</b></u>	<u>(7,822)</u>
<b>Loss per share</b>			
Basic	8	<b>RMB(0.016)</b>	RMB(0.020)
Diluted		<u><b>NA</b></u>	<u>NA</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		40,894	37,351
Right-of-use assets		7,516	8,424
Interest in an associate		120	116
Long-term prepayments		<u>45</u>	<u>128</u>
		<u>48,575</u>	<u>46,019</u>
<b>Current assets</b>			
Inventories	<i>10</i>	271,382	220,199
Trade and retention receivables	<i>11</i>	15,298	23,376
Financial assets at fair value through other comprehensive income		2,941	66
Prepayments, deposits and other receivables		18,215	12,658
Restricted bank deposits		470	470
Bank deposits with original maturity over three months		41,365	24,077
Bank balances and cash		<u>24,318</u>	<u>44,260</u>
		<u>373,989</u>	<u>325,106</u>
<b>Total assets</b>		<u><u>422,564</u></u>	<u><u>371,125</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>NOTE</i>	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,740	1,740
Lease liabilities		6	323
Deferred income		<u>1,899</u>	<u>2,053</u>
		<u>3,645</u>	<u>4,116</u>
<b>Current liabilities</b>			
Trade payables	12	56,452	23,183
Accruals and other payables		8,533	10,472
Contract liabilities		178,987	161,167
Borrowings		11,251	2,748
Deferred income		308	308
Lease liabilities		1,350	1,462
Tax payables		<u>3,703</u>	<u>3,703</u>
		<u>260,584</u>	<u>203,043</u>
<b>Total liabilities</b>		<u><u>264,229</u></u>	<u><u>207,159</u></u>
<b>Net assets</b>		<u><u>158,335</u></u>	<u><u>163,966</u></u>
<b>EQUITY</b>			
<b>Equity</b>			
Share capital		38,510	31,423
Reserves		<u>119,825</u>	<u>132,543</u>
<b>Total equity</b>		<u><u>158,335</u></u>	<u><u>163,966</u></u>
<b>Total equity and liabilities</b>		<u><u>422,564</u></u>	<u><u>371,125</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL

Denox Environmental & Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 7 November 2014 as an exempted company with limited liability under the Companies 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 (“**HK\$**”).

These condensed consolidated interim financial statements were approved by the board of directors of the Company for issue on 27 August 2024.

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 2024 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Accordingly, this result is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the Company during the interim reporting period.

### 3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2023 except as described below.

In the current interim reporting period, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

For reporting entities applying IFRS Accounting Standards:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the new and amendments to IFRS Accounting Standards 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.

### 4. REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers within the scope of International Financial Reporting Standard 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	<b>37,991</b>	7,195
• Honey-comb DeNOx catalysts	<b>10,706</b>	30,780
• DeNOx catalysts for vehicles	<b>3,567</b>	14,314
	<b>52,264</b>	<b>52,289</b>

All revenue from contracts with customers are recognised at a point in time for the six months ended 30 June 2024 and 2023.

## 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants ( <i>note</i> )	154	224
Net foreign exchange gains	131	537
Value-added tax credit	471	–
Sale of raw material	837	–
Gain on disposal of property, plant and equipment, net	–	5
Others	397	438
	<u>1,990</u>	<u>1,204</u>

*Note:* In the year ended 31 December 2021, the Group received a government subsidy of approximately RMB3,080,000 for acquisition of machineries, which was treated as deferred income and is amortised to profit or loss over the useful lives of the related machineries. This policy resulted in a credit to profit or loss in the current interim reporting period of approximately RMB154,000 (six months ended 30 June 2023: RMB154,000) and the remaining amount represented the subsidy income granted to a subsidiary of the Company by the government in Hebei, the PRC). The government grants were one-off with no specific conditions.

## 6. FINANCE INCOME/FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Interest income on bank balances and cash, restricted bank deposits and bank deposits with original maturity over three months	<u>1,427</u>	<u>62</u>
<b>Finance costs</b>		
Interest expenses on lease liabilities	(33)	(56)
Interest expenses on bill receivables	(19)	(189)
Interest expenses on borrowings	<u>(161)</u>	<u>–</u>
	<u>(213)</u>	<u>(245)</u>

## 7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the six months ended 30 June 2024 and 2023.

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 2024 and 2023.

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 2024 and 2023.

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 2024 and 2023.

## 8. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the purpose of basic loss (loss for the period attributable to owners of the Company) per share	<u><b>(9,657)</b></u>	<u><b>(9,782)</b></u>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
	<b>’000</b>	<b>’000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><b>592,844</b></u>	<u><b>494,037</b></u>

No diluted loss per share has been presented as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2024 and 2023.



## 9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2024, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2023: Nil).

## 10. INVENTORIES

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Raw materials	22,820	16,722
Work-in-progress	470	6,166
Finished goods	40,020	24,942
Goods in transit	<u>208,072</u>	<u>172,369</u>
	<u><b>271,382</b></u>	<u>220,199</u>

During the six months ended 30 June 2024, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB38,804,000 (six months ended 30 June 2023: RMB42,661,000).

## 11. TRADE AND RETENTION RECEIVABLES

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	11,970	19,958
Retention receivables	<u>5,995</u>	<u>6,141</u>
	<b>17,965</b>	26,099
Less: allowance for impairment of trade and retention receivables	<u>(2,667)</u>	<u>(2,723)</u>
	<u><b>15,298</b></u>	<u>23,376</u>

The Group allows a credit period of 30 days to 90 days (31 December 2023: 30 days to 90 days) to its customers.

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

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 1 year	<b>14,198</b>	20,111
1 year to 2 years	<b>356</b>	1,827
2 years to 3 years	<b>744</b>	1,125
Over 3 years	<b>—</b>	313
	<b><u>15,298</u></b>	<b><u>23,376</u></b>

## 12. TRADE PAYABLES

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b><u>56,452</u></b>	<b><u>23,183</u></b>

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

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 6 months	<b>44,486</b>	19,056
6 months to 1 year	<b>3,935</b>	2,115
1 year to 2 years	<b>6,924</b>	943
Over 2 years	<b><u>1,107</u></b>	<u>1,069</u>
	<b><u>56,452</u></b>	<b><u>23,183</u></b>

The average credit period on purchases is from 30 days to 60 days (31 December 2023: 30 days to 60 day). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 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 People's Republic of China ("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 2024 and Outlook on the Work for the Second Half of 2024**

#### *I. Work overview of the Company for the first half of 2024*

The year-on-year gross domestic product (GDP) growth of China in the first half of 2024 calculated at constant price was 5.0%. In the first half of 2024, the total social electricity consumption increased by 8.1% year-on-year. From the perspective of macroeconomic data, the overall economic operation in the first half of the year was stable, and the transformation and upgrading of the economy has been steadily advancing. At the same time, it should be noted that the current international environment is complex and intricate, and the domestic effective demand is still insufficient. From the micro level perspective, many industries are experiencing difficulties such as overcapacity, intense competition, price deviation, employee salary cuts and unemployment.

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

##### 1. Current market situation

- (1) The overall number of projects and market demand in the power industry are relatively stable this year, but the market price is generally declining.
- (2) In the metallurgical market represented by the iron and steel industry in the past two years, iron and steel enterprises are facing a situation of overcapacity due to the shrinkage of real estate market. One after another, we have seen some iron and steel enterprises reducing production and laying off employees. The Group's catalyst products, which are ancillary environmental protection equipment, are also being affected to a certain extent.
- (3) The market for carbon monoxide catalyst products has gradually started, but due to the overall downturn in the iron and steel industry as mentioned above, carbon monoxide catalysts and projects are currently mainly considered to be implemented through energy management contract.

- (4) The alumina industry implemented large-scale ultra-low emissions from 2017 to 2020, and has now reached the node for the first batch of replacements.
- (5) The biomass power generation industry requires ultra-low emissions, and there will be growth opportunities in the next two to three years.
- (6) There are many market opportunities for cement DeNOx catalysts, but due to the limitation in the diversification of existing general contracting technologies, combined with the poor flue gas conditions in the actual application of cement, the requirements for catalysts are relatively high.

## 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 2024, the Group completed a total of 578 customer enquiries on catalysts and technical support tasks, completed 232 formal bids for thermal power plants and other industrial customers, and signed 79 technical agreements and business contracts. Overall, the marketing efforts for the Group's industrial catalyst segment continued to increase, and the total contract value in the first half of the year continued to increase year-on-year.

In the first half of 2024, the highlights of the Group's marketing expansion work are as follows:

- Overseas marketing efforts for catalysts were further strengthened, with a further increase in export projects in the first half of the year compared to previous years;
- Two major central state-owned enterprises have signed annual group procurement agreements for plate-type catalysts with the Group;
- The specifications and types of plate-type catalysts were further improved, and the number of small-pitch plate-type catalysts was further increased;
- Catalysts for dioxin treatment gained further recognition in the market;
- The application of honey-comb DeNOx catalysts in the shipbuilding industry achieved a zero breakthrough; and
- Honey-comb DeNOx catalysts achieved a zero breakthrough in high-temperature DeNOx 60-hole catalysts.

(2) Product manufacturing

In the first half of 2024, the production of industrial honey-comb and plate-type catalyst products increased as compared to the same period of last year, with a total of 72 orders completed, among which, the output of plate-type catalysts increased significantly in the first half of the year, exceeding the output of honey-comb catalysts, accounting for 58% (compared to 43% of plate-type catalysts in the first half of 2023). In terms of long-term trends and application scenarios, the market for honey-comb should be larger. It is expected that the orders and proportion of honey-comb catalysts will increase in the second half of 2024.

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

In the first half of 2024, the overall performance of the domestic commercial vehicle market was stable and progressive. According to the China Association of Automobile Manufacturers, the production and sales volume of commercial vehicles increased by 2% and 4.9% year-on-year respectively. However, the Group's original equipment manufacturer ("OEM") orders for natural gas-powered vehicle catalysts, which had rebounded significantly in 2023, did not continue its trend in the first half of 2024, and the overall performance was poor:

1. In the first half of 2024, the orders of OEM customers for the Group's natural gas-powered vehicle catalysts declined severely, mainly due to the impact of a single customer not placing catalyst orders for its mature engine models;
2. The Group also provides catalyst products in the vehicle aftermarket and other areas of the market, the sales order in the first half of the year maintained a steady upward trend, but with limited overall order intake.

Overall, compared with the continuous steady growth of industrial catalysts, the vehicle catalysts business has fluctuated greatly in recent years, and the Group is required to make strategic adjustments in a timely manner in the second half of 2024.

## *II. Key work arrangements of the Group for the second half of 2024*

### *(I) Catalyst business for China VI natural gas-powered vehicles and diesel-powered vehicles*

OEM orders for China VI natural gas-powered vehicles experienced a substantial decline in the first half of the year, mainly due to the fact that the Group's vehicle catalysts are heavily dependent on a single customer, and the fluctuations in this customer's orders directly determined the performance of the Vehicle Catalysts Division. While the Group had already endeavored to reduce its investment in this area in previous years, the substantial decline in OEM orders forced the Group to think in depth about the future development of the vehicle sector: whether to continue to maintain a low-cost operation or to invest more of its equipment (most of the equipment for production and R&D is universal), personnel and time into the development of new products for the Industrial Catalysts Division. It will be a strategic question that the Group will have to answer clearly in the second half of 2024.

### *(II) Industrial DeNOx catalysts business*

1. We will continue to strengthen our marketing efforts, improve the performance appraisal system of our marketing staff, reinforce the elimination of underperforming sales staff, and strive to further expand our market contract volume, while endeavoring to reduce the proportion of our sales expenses;
2. The Group has established overseas branches and recruited overseas technical and sales personnel. In the second half of 2024, we will vigorously carry out overseas sales of catalysts and strive to make breakthrough progress in overseas markets;
3. As the competition for traditional plate-type and honey-comb catalysts has reached a fever pitch, the Group must continuously optimize the production process and reduce labor and unit energy consumption in an effort to maintain the gross profit level of our products. At the same time, the Group also needs to significantly increase R&D efforts on technically challenging new products and actively collaborate with external universities and research institutes. We will continue to introduce new catalyst products in the industrial field to improve the profit margin of our products.

## FINANCIAL REVIEW

### Revenue from contracts with customers

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			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Plate-type DeNOx catalysts	<b>37,991</b>	<b>72.7</b>	7,195	13.8
Honey-comb DeNOx catalysts	<b>10,706</b>	<b>20.5</b>	30,780	58.9
DeNOx catalysts for vehicles	<b>3,567</b>	<b>6.8</b>	14,314	27.3
Total	<b><u>52,264</u></b>	<b><u>100.0</u></b>	<b><u>52,289</u></b>	<b><u>100.0</u></b>

During the Period, the Group recorded a total revenue of approximately RMB52.3 million, remaining stable as compared to approximately RMB52.3 million of the same period in 2023.

#### *Plate-type DeNOx catalysts*

The plate-type DeNOx catalysts market was mainly derived from the normal replacement of catalysts stored in thermal power plants. Revenue generated from sales of plate-type DeNOx catalysts for the Period increased to approximately RMB38.0 million, representing an increase of 428% as compared to approximately RMB7.2 million of the same period in 2023, which was primarily attributable to the increase in the sales volume of plate-type DeNOx catalysts during the Period.

#### *Honey-comb catalysts*

The honey-comb DeNOx catalysts market was mainly derived from the normal replacement of catalyst stored in thermal power plants. Revenue generated from sales of honey-comb DeNOx catalysts for the Period decreased to approximately RMB10.7 million, representing a decrease of 65.3% as compared to approximately RMB30.8 million of the same period in 2023, which was primarily attributable to the decrease in sales volume of honey-comb DeNOx catalysts during the Period.

#### *DeNOx catalysts for vehicles*

During the Period, the Group recorded revenue from sales of DeNOx catalysts for vehicles of approximately RMB3.6 million which represented a decrease of 74.8% as compared with the revenue of approximately RMB14.3 million in the same period in 2023.

## **Gross profit**

During the Period, the Group recorded gross profit of approximately RMB13.5 million which resulted from increase in sales volume of plate-type DeNOx catalysts, while the Group recorded gross profit of approximately RMB9.6 million for the same period in 2023.

## **Selling and marketing expenses**

Selling and marketing expenses primarily consist of transportation cost, consulting service expenses and employee benefit expenses, etc. The Group's sales and marketing expenses increased for the Period as compared to the same period in 2023, mainly due to the increased marketing efforts in promoting our products to overseas markets, representing 22.6% and 18.7% of the Group's total revenue from contracts with customers in six months ended 30 June 2024 and 2023, respectively. As a whole, the Group's selling and marketing expenses increased by 20.4% to approximately RMB11.8 million for the Period from approximately RMB9.8 million of the same period in 2023.

## **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 RMB12.2 million, which increased by 45.2% when compared with approximately RMB8.4 million of the same period in 2023, mainly due to the increase in staff bonus, legal and professional fee and promotional expenses etc.

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

Finance costs include interest expenses on borrowings, lease liabilities and bill receivables. Finance income includes interest income on bank balances and cash, restricted bank deposits and bank deposits with original maturity over three months. The Group recorded net finance income of approximately RMB1.2 million for the Period while it recorded net finance cost of approximately RMB0.2 million in the same period in 2023.

## **Loss for the period**

As a result of the aforementioned major factors, the loss for the Period amounted to approximately RMB9.7 million while the Group recorded loss of approximately RMB9.8 million in the same period in 2023.

## **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 in the foreseeable future. As at 30 June 2024, the Group had net current assets of approximately RMB113.4 million (31 December 2023: approximately RMB122.1 million) of which cash and cash equivalents were approximately RMB24.3 million (31 December 2023: approximately RMB44.3 million) and were denominated in Euro, Hong Kong Dollar, RMB, and United States Dollar.



## **Gearing Ratio**

Our gearing ratio which is calculated by total borrowings divided by total assets was 3.07% as of 30 June 2024 (31 December 2023: 1.2%). The increase in gearing ratio was mainly due to increase in bank borrowing.

## **Lease Liabilities**

On 25 October 2023, Maxwealth Financial Leasing Co., Ltd.\* (永贏金融租賃有限公司), a wholly-owned subsidiary of Bank of Ningbo Co., Ltd\* (寧波銀行), as lessor has entered into a finance lease agreement with Beijing Denox Environmental & Technology Co., Ltd.\* (北京迪諾斯環保科技有限公司), an indirect wholly-owned subsidiary of the Company, as lessee, pursuant to which (i) the lessee has agreed to sell the leased assets to the lessor at a consideration of RMB5,000,000 (equivalent to approximately HKD5,454,000); and (ii) the lessor has agreed to leaseback the leased assets to the lessee for a term of 24 months for a total lease payment of RMB5,362,858 (equivalent to approximately HKD5,849,806). For further details, please refer to the announcement of the Company dated 8 December 2023.

## **Pledge of Assets**

As of 30 June 2024, the Group has pledged certain machineries with the net carrying amount of approximately RMB8.8 million and certain land and property with net carrying amount of RMB15.4 million (31 December 2023: certain machineries with the net carrying amount of approximately RMB8.8 million).

## Use of net proceeds from the Listing

As at 30 June 2024, the remaining balance of the unutilised amount of net proceeds from the listing (the “**Listing**”) of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 November 2015 of approximately RMB16.3 million were deposited into interest bearing bank accounts with licensed commercial banks. After the Listing, a part of these proceeds have been applied according to the section headed “Use of proceeds” as set out in 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	Re-allocation	Re-allocation	New allocation	Remaining	Utilised net	Remaining	Expected
	allocation of	of net	of net		balance of the		balance of	
	net proceeds	proceeds on	proceeds on	for unutilised	unutilised net	proceeds	the unutilised	timeline for fully
	as stated in the	28 December	28 December	amount of net	proceeds as at	during the	amount as at	utilisation of
	Prospectus	2020	2022	proceeds	31 December	Period	30 June 2024	the remaining
		(Note 1)	(Note 1)		2023			proceeds
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	(Note 2)
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	(3.5)	-	-	-	-	N/A
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	-	-	-	-	-	N/A
Research and development	17.1	17.1	16.1	11.6	12.3	0.7	11.6	Fourth quarter of 2025
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	6.9	(1.0)	-	-	-	-	N/A
Replacement of the Group's No. 1 production line	5.1	3.5	-	-	-	-	-	N/A
Working capital and general corporate purposes	17.1	43.0	(11.6)	4.7	7.0	2.3	4.7	Fourth quarter of 2025
<b>Total</b>	<u>171.0</u>	<u>171.0</u>	<u>-</u>	<u>16.3</u>	<u>19.3</u>	<u>3.0</u>	<u>16.3</u>	

*Note 1:* The utilisation of the net proceeds and the use of proceeds for the remaining balance of the unutilised amount of net proceeds from the Listing 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 utilising 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.

## **Share Subscription Agreement and its use of proceeds**

On 26 January 2024, 98,807,400 subscription shares were duly allotted and issued by the Company to Advant Performance Limited, being the subscriber, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Zhao Shu, which directly holds approximately 30.98% of the issued shares of the Company and is a substantial shareholder of the Company, hence a connected person of the Company; at the subscription price of HK\$0.048 per subscription share. For further details, please refer to the announcements of the Company dated 6 November 2023, 22 November 2023, 15 December 2023, 5 January 2024 and 26 January 2024 and the circular of the Company dated 15 December 2023 respectively.

The maximum gross proceeds from the share subscription were approximately HK\$4,742,755.2. The maximum net proceeds (after deducting placing commission and other relevant costs and expenses) from the share subscription were approximately HK\$3,362,755.2 and the net subscription price of each subscription share will be approximately HK\$0.034.

During the Period, the net proceeds from the share subscription have been used as to (i) approximately 30% of the net proceeds (being approximately HK\$1,008,826.6) for the development of coated products; (ii) approximately 50% of the net proceeds (being approximately HK\$1,681,377.6) for the expansion of overseas markets, including setting up branches in Italy, India and United States and employing local staff therein; and (iii) approximately 20% of the net proceeds (being approximately HK\$672,551) for general working capital, including employee remuneration and material costs. All the net proceeds from the share subscription have been utilised during the first half of 2024.

## **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 RMB6.5 million (six months ended 30 June 2023: RMB0.2 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 2024, the Group had capital commitment amounted to RMB1.4 million (31 December 2023: 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 2024, the Group had capital commitment amounted to approximately RMB2.2 million (31 December 2023: RMB2.4 million) for acquisition of property, plant and equipment.

## **Contingent liabilities**

As at 30 June 2024, the Group did not have any material contingent liabilities, guarantees and litigations (31 December 2023: Nil).

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

Saved as disclosed in this announcement, 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 announcement.

## **Event after the reporting period**

Save as other disclosed in this announcement, the Board is not aware of any other important event affecting the Group that have taken place subsequent to 30 June 2024 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 Renminbi, 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 Euro, Hong Kong Dollars and United States Dollars. The Group did not carry out any hedging activities against foreign currency risk during the Period. Any substantial fluctuation in exchange rate of foreign currencies against Renminbi may have a financial impact to the Group.

## **Employees and Remuneration**

As at 30 June 2024, the Group had 196 employees (31 December 2023: 189 employees). Remuneration of the employees of the Group amounted to RMB15.7 million for the Period (for the six months ended 30 June 2023: RMB11.9 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 2023. 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. The Company did not have any treasury shares (as defined under the Listing Rules) as at 30 June 2024.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2023: Nil).

## **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 C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange 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 Shu, the chairlady of the Board 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 10 of the annual report of the Company for the year ended 31 December 2023.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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.

## 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, Dr. Wang Xueqian 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 of the Company.

The Audit Committee considered that the unaudited consolidated interim results for the Period are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## PUBLICATION OF 2024 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website ([www.china-denox.com](http://www.china-denox.com)) and the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)), respectively. The Company’s interim report for the six months ended 30 June 2024 will be available on the same websites and will be despatched to the Company’s shareholders who requested the printed copy on or before the end of September 2024.

By Order of the Board

**Denox Environmental & Technology Holdings Limited**

**Zhao Shu**

*Chairlady*

Hong Kong, 27 August 2024

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