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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 Annual 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

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

CORPORATE INFORMATION

Principal Place of Business in Hong Kong

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

Headquarters and Principal Place of Business in the PRC

Room 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

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Denox Environmental & Technology Holdings Limited (the "**Company**"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**" or "**Denox**") for the year ended 31 December 2023.

Review on the work of the Group for 2023

The year 2023 is a year of economic recovery and development after three years of COVID-19 pandemic. In the face of a complex and severe international environment and the arduous and burdensome tasks of domestic reform, development and stabilization, the gross domestic product (GDP) of the PRC reached RMB126 trillion, with a GDP growth rate of 5.2%. Overall, despite the macro-economy achievements in 2023, the industry also had structural contradictions, with innovative sectors such as new energy, new industries, new business formats, and new businesses having a significant impact on traditional industries.

In 2023, with the concerted efforts of all Directors and employees, the Group's overall revenue continued to maintain a steady growth, and its production and operation remained stable.

In the field of industrial catalysts: In 2023, the value of newly signed contracts for industrial catalysts continued to increase compared with that in 2022, basically achieving the Group's established goals. While continuing to intensify its market development efforts for catalysts in various industrial fields, the Group also strengthened the development of sales channels in the international market, which resulted in a further enhancement in its market competitiveness, and a continued increase in the production and sales volume of its industrial honey-comb DeNOx catalyst products;

In the field of vehicle catalysts: After the COVID-19 prevention and control was relaxed in 2023, the commercial vehicle industry chain (especially natural gas-powered vehicles) ushered in the opportunity of a retaliatory rebound after the Chinese New Year, and the Group's production and sales of vehicle catalysts were significantly increased. The Group remains cautiously optimistic about the rebound opportunities in vehicle catalysts, and it is still difficult to determine whether the market sentiment can be sustained. Under such circumstances, the Group continued to adopt methods such as controlling sales expenses and research and development investment in the vehicle sector to improve the financial indicators of the vehicle catalyst segment.

Outlook on the work of the Group for 2024

In 2024, the Group will continue to strengthen the production capacity expansion of industrial Honey-comb DeNOx catalysts, accelerate the launch of new technologies and new products for industrial catalysts, and strengthen the overseas market expansion of industrial catalysts, and its major operating work plans include:

(1) Expand the business scope of the Company's catalysts by relying on the development of new technologies and new products. The Group has been developing in the field of DeNOx catalysts for more than ten years since its establishment. Next, the Group is entering into more environment-oriented catalyst fields on the basis of the development of new technologies and new products. Traditional DeNOx catalysts are already in a red ocean market, while environment-oriented catalysts based on new technologies are still in a blue ocean in the market. The Group will vigorously develop the blue ocean market, utilizing the market demand to drive the development of new technologies and products for the Group.

(2) Continue to optimize market expansion. The Group's market expansion has made great progress in the past two years. At the same time, the Group has noticed that the marketing expenses accounted for a high proportion of its total overhead expenses, and the market capability of its sales staff is not balanced. In this regard, the Group will weed out the weakness in its marketing and sales team, make trade-offs in projects, and improve the profitability of projects.

(3) Continue to optimize the Group's operation and management work based on financial data of the Group.

In the past two years, the Group has further improved its financial accounting system, and the data indicators of various standards are very clear. All projects can be clearly and independently accounted for, and the financial data can provide early warning and guidance for the Company's daily operation. Based on the financial data, the Group will optimize and improve its marketing and sales incentive system, production cost accounting system, piece-rate assessment system for frontline staff, and research and development project approval system.

Finally, on behalf of the Board, I would like to thank you all the Directors and employees for their dedication and contribution, and all the Shareholders and partners for their support and understanding. The Group will continue to strengthen the development of new catalyst products, continue to consolidate its market achievements, vigorously enhance the development of overseas markets, and being cautiously to the Company's costs and expenses, with a view to continuously improving the Group's operating performance.

Yours faithfully,

Zhao Shu
Chairlady

26 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the Reporting Period.

The Company is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Corporate Governance Practices

The Company has adopted the CG Code as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code during the Reporting Period.

Throughout the Reporting Period, the Company has complied with the relevant code provisions of the CG Code with the exception of code provision C.2.1 of Part 2 of the CG Code as set out in the section headed "Chairman and Chief Executive" on page 10 of this annual report.

The Board will continue to review and monitor the corporate governance practices of the Company with an aim to maintaining and improving a high standard of corporate governance practices.

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, each of the Director has confirmed that he/she has complied with the required standards set out in the Model Code throughout the Reporting Period and up to the date of this annual report.

Corporate Culture

The Company adheres to the corporate culture of "integrity, responsibility, gratitude, innovation, inclusiveness, and moral integrity." With the mission of "creating clear waters and blue skies," we are committed to becoming an internationally renowned environmental protection company. We sincerely wish to join hands with like-minded individuals to contribute to energy conservation and emission reduction efforts in China and even globally.

The Board strives to adhere to the principles of good corporate governance and adopt sound corporate governance practices to promote such culture by focusing on areas such as internal control, fair disclosure, and accountability to all Shareholders.

Directors

Board Composition

The Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. As at the date of this annual report, the composition of the Board is set out as follows:

Executive Directors

Ms. ZHAO Shu
Mr. LI Ke

Non-executive Director

Mr. LI Xingwu

Independent non-executive Directors

Ms. CHAN Yeuk Wa
Mr. LI Min
Mr. ONG Chor Wei

The biographical information of the Directors and the relationships between the members of the Board (if any) are set out and disclosed in the section headed "Directors and Senior Management" on pages 39 to 43 of this annual report.

Roles and Responsibilities

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and financial reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles of Association. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operations and management of the Company are delegated to the executive Directors and senior management. They report periodically to the Board for their work and business decisions.

In addition, the operation of the senior management and our Board, which comprised of experienced individuals, effectively checks and balances the power and authority of Ms. Zhao Shu, the chairlady of the Board, an executive Director and chief executive officer of our Group. Our Board currently comprises two executive Directors (including Ms. Zhao Shu), one non-executive Director and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition.

Directors must dedicate sufficient time and attention to the Group's affairs. Besides, the Company also requested all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

In essence, the Board will take into account the re-electing Director's attendance of Board meetings and serving on committees of the Board in assessing his/her ability to devote sufficient time and attention to participate in the affairs of the Company. In addition, the Company will also take into account the background, expertise and experience of the re-electing Directors in assessing the possible contribution by the re-electing Director to the Company.

Attendance Record of the Directors

The attendance record of each Director at the Board meetings and Board committees' meetings and annual general meeting of the Company held for the year of 2023 is set out below:

	Number of Meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	2023 Annual general meeting
Executive Directors					
Ms. ZHAO Shu	4/4	N/A	1/1	1/1	1/1
Mr. LI Ke	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. LI Xingwu	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Ms. CHAN Yeuk Wa	4/4	2/2	N/A	N/A	1/1
Mr. LI Min	4/4	2/2	1/1	1/1	1/1
Mr. ONG Chor Wei	4/4	2/2	1/1	1/1	1/1

In addition, in order to facilitate open discussion with all independent non-executive Directors, the chairlady of the Board had also held a meeting with all the independent non-executive Directors without the presence of other executive Directors in accordance with the code provision C.2.7 of Part 2 of the CG Code during the Reporting Period.

Independence of the independent non-executive Directors

The Company has appointed three independent non-executive Directors, representing more than one-third of the Board, and at least one of them possessing appropriate professional qualifications, or accounting or related financial management expertise. Based on the foregoing, the Board considers that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances to safeguard the interests of Shareholders and the Group as a whole.

The Company has received from each of the independent non-executive Directors a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all independent non- executive Directors to be independent. The Board believes that there is a strong independent element in the Board.

All Directors, including independent non-executive Directors, are clearly identified in all corporate communications of the Company. A list of Directors is available on the websites of the Company (http://www.china-denox.com) and the Stock Exchange (http://www.hkexnews.hk) and will be updated, where necessary.

No equity-based remuneration (e.g. share options or grants) with performance related elements have been granted to the independent non-executive Directors during the year ended 31 December 2023.

Mechanism to Ensure Independent Views of Directors

To ensure that the Board can obtain independent views and opinions, our Company has established various formal and informal channels whereby independent non-executive Directors can express their opinions to the Board in an open and candid manner, and in a confidential manner, should circumstances require.

Independent non-executive Directors provide constructive suggestions to the Board based on objective judgment through formal and informal channels to improve the efficiency and decision-making of the Board. According to the rules of proceedings of the Board, the views of independent non-executive Directors shall be recorded separately for resolutions which require independent non-executive Directors to express their special views. If the views of independent non-executive Directors are inconsistent, their views shall be recorded respectively. For resolutions which are required to be disclosed, the views of independent non-executive Directors shall be disclosed separately.

Directors' Training and Professional Development

In compliance with the code provision C.1.4 of Part 2 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they keep abreast of the current requirements of the Listing Rules and other applicable laws and regulations. All new Directors will receive an induction package covering the regulatory obligations as a director of a listed company. The Company shall provide updates to the Directors and senior management on the material changes to the Listing Rules and other applicable regulatory requirements. Circulars and guidance notes may be issued to Directors and senior management of the Company where appropriate, to ensure their awareness of best corporate governance practices as well as the updates of the Listing Rules and other applicable laws and regulations.

All Directors had participated in a training program provided by the Company regarding the requirements of "Discloseable Transactions" under Chapter 14 of the Listing Rules during the year 2023.

All Directors have also participated in appropriate continuous professional development programs and/or reading relevant materials during the year 2023 to develop and refresh their knowledge and skills and received regular briefings and updates on the Group's business, operations, risk management, Listing Rules and corporate governance matters. All Directors are requested to provide the Company with their respective training records pursuant to code provision C.1.4 of Part 2 of the CG Code.

Chairman and Chief Executive

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The day-to-day responsibilities of the chief executive officer is performed by Ms. Zhao Shu, who is also the chairlady of the Board of the Company. As Ms. Zhao Shu has extensive experience in the Group's business operations and management in general, that is not necessary to separate the roles of the chairlady of the Board and the chief executive officer of the Company. Given the current stage of development of the Group, the Board is of the view that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which are in the best interests of the Company.

Under the leadership of Ms. Zhao Shu, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives. The Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, as to maintain a high standard of corporate governance practices of the Company.

Appointment and Re-Election of Directors

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

All executive Directors have entered into service contracts with the Company for a term of three years until terminated in accordance with the terms of the service contracts. Under the service contracts, either party may terminate such contract at any time by giving the other not less than three months' notice in writing.

All non-executive Directors (including independent non-executive Directors) has signed a letter of appointment with our Company, with no specific term. Under the letter of appointment, either party may terminate such contract at any time by giving the other not less than three months' notice in writing.

In accordance with article 84.1 of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three years. Ms. Zhao Shu and Mr. Ong Chor Wei shall retire by rotation at the forthcoming annual general meeting.

Save for aforesaid, none of our Directors has or is proposed to have a service contract or letter of appointment with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Board Committees

The Board is responsible for performing the corporate governance duties including:

a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct applicable to Directors, senior management and employees of the Company; and

e) to review the Company's compliance with the CG Code.

In compliance with the CG Code, the Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference. These committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of the Company (http://www.china-denox.com) and the Stock Exchange (http://www.hkexnews.hk). All Board committees should report to the Board on their decisions or recommendation made.

Audit Committee

The Company established the Audit Committee on 19 October 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The latest terms of reference of the Audit Committee are available on the websites of the Company (http://www.china-denox.com) and the Stock Exchange (http://www.hkexnews.hk). As at the date of this Annual Report, the Audit Committee consists of three independent non-executive Directors, namely Ms. Chan Yeuk Wa (being the chairlady of the Audit Committee), Mr. Li Min and Mr. Ong Chor Wei. Ms. Chan Yeuk Wa and Mr. Ong Chor Wei have appropriate professional qualification under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit procedures, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee had held two meetings during the Reporting Period, with all members thereof present to review, among others, the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, appointment, remuneration, and scope of work of external auditors.

According to code provision D.3.3(e)(i) of part 2 of the CG Code and the terms of reference of the Audit Committee, the Audit Committee must meet, at least twice a year, with the Company's auditors. The Audit Committee has met twice with the external auditors during the Reporting Period.

The Company's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

The attendance records of each member of the Audit Committee are set out in the section "Attendance Record of the Directors" on page 8 of this annual report.

Remuneration Committee

The Company established the Remuneration Committee on 19 October 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The latest terms of reference of the Remuneration Committee are available on the websites of the Company (http://www.china-denox.com) and the Stock Exchange (http://www.hkexnews.hk). The Remuneration Committee consists of three members, being Mr. Li Min, Ms. Zhao Shu and Mr. Ong Chor Wei, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Li Min.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding the policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) reviewing the share option scheme of the Company under Chapter 17 of the Listing Rules.

The Remuneration Committee held one meeting during the Reporting Period, with all members thereof present, to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management. The attendance records of each member of the Remuneration Committee are set out in the section "Attendance Record of the Directors" on page 8 of this annual report.

The remuneration of senior management of the Company (other than the Directors) was within the following bands:

The remuneration bands	Number of Individuals 2023	2022
Nil to HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	1

Information on the emoluments of the Directors and the five highest paid individuals is set out in notes 13 and 14 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee on 19 October 2015 with written terms of reference. The latest terms of reference of the Nomination Committee are available on the websites of the Company (http://www.china-denox.com) and the Stock Exchange (http://www.hkexnews.hk). The Nomination Committee consists of three members, being Ms. Zhao Shu, Mr. Li Min and Mr. Ong Chor Wei, two of whom are independent non-executive Directors. The Nomination Committee is chaired by Ms. Zhao Shu, the chairlady of the Board in accordance to Rule 3.27A of the Listing Rules.

The primary functions of the Nomination Committee include (without limitation): (i) reviewing the structure, size and composition (including the skills, knowledge, experience, gender, and diversity of perspectives) of the Board at least annually; (ii) reviewing the board diversity policy (the "**Board Diversity Policy**"); (iii) making recommendations to the Board on the appointment or reappointment of members of the Board; and (iv) assessing the independence of independent non-executive Directors.

The Nomination Committee shall review the Board Diversity Policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the corporate governance of the Board based on the following criteria:

1. at least one member of the Board must be a female Director;

2. at least one-third of the Directors must be independent non-executive Directors; and

3. at least one independent non-executive Director must possess accounting or professional qualifications.

During the Reporting Period, all the above measurable objectives were achieved.

The Nomination Committee had held one meeting during the Reporting Period, with all members thereof present, to assess the independence of independent non-executive Directors, and review the proposed re-appointment of Directors at the annual general meeting of the Company. The Board also discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience, gender, cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board.

The attendance records of each member of the Nomination Committee are set out in the section "Attendance Record of the Directors" on page 8 of this annual report.

Environmental Policies and Performance

The Board has overall responsibility for the Group's environmental, social and governance, (the "**ESG**") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. The details of the ESG performance of the Group as set out in the ESG section of this annual report.

Accountability and Audit

Directors' and Auditor's acknowledgement

The Board acknowledges its responsibilities for the preparation of the financial statements of the Group for each financial year, which should give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flow for that year in compliance with relevant laws and applicable accounting standards.

In preparing the consolidated financial statements for the year ended 31 December 2023, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The consolidated financial statements for the Reporting Period have been prepared on a going-concern basis.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements of the Group prepared by the Board and to report their opinion to the Shareholders. A statement by the auditor about their reporting responsibilities is set out in the Independent Auditor's Report of this annual report.

Auditor's Remuneration

For the year ended 31 December 2023, the fees paid/payable to CL Partners CPA Limited for the audit of the consolidated financial statements of the Group and other non-audit services are set out below: –

Type of services	Amount (HK$)
Audit services	730,000
Non-audit services	–

Risk Management and Internal Control

The Board is responsible for the risk management and internal control system of the Group and for reviewing its effectiveness on an annual basis.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Internal control and risk management systems are reviewed annually to ensure its continuous effectiveness. The Group has in place a risk management framework which has the following five components: risk identification, risk assessment, risk treatment, risk reporting and risk monitoring.

The Company has outsourced the internal control auditing function as it is more cost-effective. During the Reporting Period, the Company engaged an external internal control consultant to conduct review on the effectiveness of the Group's internal control system and report the findings to the Audit Committee and the Board. A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted by rotation and performed annually. The examination consisted of enquiry, discussion and validation through observation and inspection. The result of the review has been reported to the Audit Committee and the Board and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. Based on the reports from the Group's external internal control consultant, the Audit Committee and the Board consider the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG Code for the year 31 December 2023.

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended 31 December 2023 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards.

Whistle Blowing Policy

To achieve and maintain the highest standards of openness, probity and accountability, the Company has adopted a whistle blowing policy on 19 October 2015. This policy aims to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company. The Audit Committee review such policy annually and ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2023 has been discovered or identified.

Anti-Corruption Policy

The Company has also established policies and systems that promote and support anti-corruption laws and regulations. We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, prevention mechanisms for fraud, negligence and corruption. We also carry out regular on-the-job compliance training to our senior management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corrupt incident to the Company.

The anti-corruption policy is reviewed and updated periodically to align with the applicable laws and regulations.

Board Diversity

The Board Diversity Policy was adopted by the Company on 19 October 2015, its purpose is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee will review the Board Diversity Policy and the measurable objectives at least annually, and as appropriate, make recommendations to the Board to ensure the continued effectiveness of the corporate governance of the Company.

Gender Diversity

The Board currently has two female Directors and has achieved gender diversity in respect of the Board. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the shareholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future. As at 31 December 2023, the gender ratio in our workforce for male and female employees were 79% and 21%, respectively.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

Joint Company Secretaries

Mr. Liu Lianchao ("**Mr. Liu**") has been appointed as the joint company secretary since 8 May 2015. Mr. Liu is a full time staff of the Group and is responsible for ensuring and advising the Board on, compliance of all policies and procedures in connection with the applicable rules and regulations.

The Company has also engaged Ms. Yu Anne ("**Ms. Yu**"), an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, to act as a joint company secretary of the Company. Ms. Yu is responsible for assisting Mr. Liu in performing his duties as the joint company secretary of the Company. Mr. Liu is the primary point of contact of the Company for Ms. Yu.

For the year ended 31 December 2023, each of Mr. Liu and Ms. Yu has received not less than 15 hours of relevant professional training to update their knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

The biographical details of Mr. Liu is set out under the section headed "Directors and Senior Management" of this annual report.

Shareholders' Right

Procedures for Shareholders to convene an Extraordinary General Meeting

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board to require an extraordinary general meeting of the Company ("**Extraordinary General Meeting**") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the Extraordinary General Meeting.

- Eligible Shareholders who wish to convene an Extraordinary General Meeting for the purpose of making proposals or moving a resolution at the Extraordinary General Meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, for the attention of the Board.

- The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) for convening an Extraordinary General Meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the Extraordinary General Meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of each Eligible Shareholder will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the company secretary will ask the Board to convene an Extraordinary General Meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the Extraordinary General Meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an Extraordinary General Meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the Extraordinary General Meeting.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such Extraordinary General Meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for putting forward proposals at general meetings

There are no provisions allowing the Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Act. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for including a resolution at an Extraordinary General Meeting. The requirements and procedures are set out section headed "Procedures for Shareholders to convene an Extraordinary General Meeting" in this report.

Pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong Branch Share Registrar and Transfer Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. If a Shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong or its Hong Kong Branch Share Registrar and Transfer Office at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

The procedures for Shareholders to propose a person for election as director is published on the Company's website.

Shareholder and Investor Relations

The Company is committed to providing the Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Group. The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual reports, interim reports, various notices, announcements and circulars. To ensure all Shareholders timely access to important corporate information, the Company utilises its corporate website to disseminate to the Shareholders information such as announcements, circulars and annual and interim reports. Any information or documents of the Company posted on the Stock Exchange's website (http://www.hkexnews.hk) are also published on the Company's website (http://www.china-denox.com) under the section headed "Investor Relations". Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management are also available on the Company's website. The Company has reviewed the implementation and effectiveness of its shareholder communication policy during the Reporting Period and believes that the shareholder communication policy has been effectively implemented.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans.

The annual general meeting and other general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Company provides Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. The chairlady of the Board and other Directors, the chairman/chairlady of board committees or their delegates, and the external auditors are available to answer Shareholders' questions at the annual general meeting of the Company. The chairman/chairlady of the independent board committee or his/her delegate is also available to answer questions at any general meeting and to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Shareholders may put forward their written enquiries to the Board. In this regard, the Shareholders may send those enquiries or requests as mentioned to the following:

Address:	Room 1506-1,12th Floor, Block 2, No. 128 Western South Fourth Ring Road, Fengtai District, Beijing 100070, PRC
Fax:	+86 10 88580859
Telephone:	+86 10 88829058

Constitutional Documents

During the Reporting Period, the Company made amendments to the Memorandum and Articles of Association, which were approved by the Shareholders on the AGM held on 16 June 2023 and became effective on the same day. The amendments were mainly for the purpose of: (i) conform to the said core standards for shareholder protections; (ii) allow general meetings to be held in physical meeting, electronic meeting or hybrid meeting; (iii) bring the Articles of Association in line with amendments made to the Listing Rules and the applicable law and procedures in the Cayman Islands; and (iv) incorporate certain housekeeping changes. The third amended and restated memorandum and articles of association of the Company has been adopted and are available on the websites of the Company (http://www.china-denox.com) and Stock Exchange (http://www.hkexnews.hk) respectively.

Principal Activities

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

The Group's management analysis report for 2023 and outlook on the work for 2024

I. WORK OVERVIEW OF THE GROUP FOR 2023

China's GDP grew by 5% year-on-year in 2023, achieving its set target. However, on the whole, there were significant changes in the economic structure. The industrial DeNOx catalyst sector, in which the Group operates, saw little change in general, and continued the fully competitive pattern in the red ocean market, with each competitor in the industry enduring relatively difficult operations overall. At the same time, we saw some market opportunities in the technical high-end products of DeNOx catalysts and environment-oriented catalyst sectors, but the technical requirements for catalyst manufacturers are very high, and only catalyst enterprises with technical strength have the opportunity to enter new market sectors.

(I) Traditional Plate-type and honey-comb DeNOx catalysts

1. Current market situation

(1) Electric power field

Thermal power market is a fully competitive red ocean market. Although thermal power DeNOx catalysts products account for the highest percentage in the industrial sector, the gross profit level of the products is maintained at a low level all year round due to intense competition. However, due to the large market share, competitors in the industry, including our Group, have to put in greater efforts to participate in the competition to improve the Company's production capacity utilization rate and amortization of the production costs and expenses.

(2) Other industrial sectors

The market for conventional catalysts in other industrial sectors is similar to that for thermal power catalysts, but the market for catalysts with high technological difficulty and new applications such as de-CO catalysts and de-NMHC catalysts is beginning to emerge. These new catalysts are characterized by high technical requirements, high product unit prices and high gross profit levels. All major catalyst manufacturers are striving to find technological breakthroughs and product launch opportunity, in hopes of quickly standing out in severe market and technological competition, thereby creating new profit growth points. At the same time, we believe that the release of the market size of these new industrial catalysts is also greatly related to the profitability level and the affordability of environmental pollution treatment costs in the industry.

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

(1) Marketing and sales efforts

In 2023, the first year after the pandemic, the Group continued to achieve better results in marketing and sales work. As at 31 December 2023, the Group has completed catalyst technical solutions for more than 1,000 projects, submitted over 200 official bids with customers such as power generation companies and local power plants, and entered into a total of nearly 150 supply contracts (some of which were not subject to bidding procedures) throughout the year.

The prominent results achieved in the Group's market development in 2023 mainly include:

- The Group has strengthened its sales of catalysts in overseas markets, with the number of export reaching a record high of 10 projects for 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.

- Breakthrough was achieved in the industrial silicon project for plate-type catalysts, which was the first application of plate-type catalysts in industrial silicon in the PRC.
- 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.
- 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.
- Honey-comb DeNOx catalysts were further developed in gas power generation projects, and supply contracts for two projects were signed.
- Honey-comb DeNOx catalysts were further developed in the sintering machine project, and several supply contracts for catalysts were signed with steel mills.

(2) Product manufacturing

In 2023, the Group's total catalyst production continued to rise, of which: the Group's production of plate-type catalysts declined slightly and its gross profit level remained stable; the production of honey-comb DeNOx catalysts continued to rise relatively significantly, with the level of gross profit of honey-comb DeNOx catalysts being lower than expected as a result of the competition in the market and the fact that the Group had produced new honey-comb DeNOx catalyst products which were difficult to produce and had lower yield rates. The Group's overall production task saturation and operating rate for the year continued to improve as compared to 2022, and overall production throughout the year was in a relatively busy state.

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

1. With the recovery of the entire vehicle industry chain in 2023, the Group's vehicle catalyst business showed a retaliatory rebound, with OEM orders for catalysts used for natural gas-powered vehicles recovering to a greater extent. The overall order volume of catalysts in the Group's vehicle aftermarket was relatively small, which basically remained at the same level as last year.

2. With the recovery of orders for natural gas-powered vehicle catalysts, the Group invested a certain amount of research and development efforts to continue to focus on the research and development work in cost reduction. Overall, the Group's cost of catalysts was more significantly higher than that of the previous year. Meanwhile, the Group also further integrated the technology research and development department, and partially transferred the research and development strength of vehicle catalysts to the research and development of new industrial catalyst products, so as to provide technical support for the future expansion of the new product market for industrial catalysts.

II. Key work arrangements of the Group for 2024

(I) Plate-type and honey-comb DeNOx catalysts

1. The Group's increased market promotion and marketing efforts in 2023 achieved the expected results. The Group will continue to maintain various promotional channels and tools to consolidate the operating results achieved in the domestic market, and continue to enhance the adhesion of high-quality customers, striving to establish long-term partnerships with them.

2. On the basis of the foreign orders obtained in 2024, the Group will vigorously strengthen the expansion of overseas markets. Overseas markets are characterized by high product quality and technical requirements, as well as high product margins. In this regard, the Group will continue to recruit overseas sales staff who are familiar with the rules of the international market and familiar with overseas customers on the basis of providing products with excellent quality, in the hope of continuing to make greater breakthroughs in overseas markets in 2024.

3. On the basis of the new industrial catalyst technology in 2023, the Group will focus on strengthening the research and development of products such as industrial HCN catalysts, CO catalysts for metallurgy and gas units, VOCs catalysts and thin-walled honey-comb DeNOx catalysts, with a view to enabling the products to meet mass production conditions as early as possible.

(II) Vehicle catalyst related products

1. Research and development

In 2024, the focus of the Group's research and development in vehicle catalysts will include:

(1) Continue to carry out the research and development work on continuous cost reduction and quality enhancement of catalysts used for existing engine models of China VI natural gas-powered vehicles, and track and develop the process and formula of catalysts used for new engine models of China VI natural gas-powered vehicles.

(2) Continue to develop after-treatment catalysts for engines with theoretical air-fuel ratio.

(3) The research and development work required for catalyst projects and catalyst product needs in after-sales market for other vehicles.

2. Market development

The commercial vehicle industry chain experienced a retaliatory rebound market in 2023, under which the Group seized the opportunity to resume the production and delivery of catalyst orders for natural gas-powered vehicles. From the situation at the end of 2023, the possibility of the rebound market to continue was reduced. In 2024, the Group shall make a good prediction of market fluctuations and control market risks.

3. Cost control

Overall, fuel-powered vehicles and natural gas-powered vehicles have been continuously impacted by new energy-powered vehicles, and the Group has defined a strategy for market defense and cost control. In this regard, the Group will continue to vigorously control market expenses and operating costs of the vehicle segment on the basis of ensuring the research and development of identified projects.

(III) Other key work of the Group

In 2024, the Group will further strengthen the Group's other operation and management work, which includes:

1. Continue to pay attention to the Hong Kong capital market and exchange rate changes, with a view to realizing the preservation and appreciation of the Group's capital under the fluctuation of the capital market;

2. Carry out automated transformation and capacity expansion on partial catalyst production lines to cope with the Group's product delivery capacity when orders arise in a concentrated manner;

3. Continue to improve the Group's remuneration assessment system, especially the marketing and sales remuneration system, control the sales expenses and realize the orderly flow of sales staff.

DIRECTORS' REPORT

FINANCIAL REVIEW

Revenue from contracts with customers

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

	2023		2022	
	RMB'000	**%**	RMB'000	%
Plate-type DeNOx catalysts	**58,528**	**46.3**	51,945	82.7
Honey-comb DeNOx catalysts	**21,143**	**16.7**	9,551	15.2
DeNOx catalysts for vehicles	**46,721**	**37.0**	1,295	2.1
	126,392	**100.0**	62,791	100.0

The Group recorded a total revenue of approximately RMB126.4 million for the Reporting Period, representing an increase of 101.3% as compared to approximately RMB62.8 million for the same period in 2022.

Revenue generated from sales of plate-type DeNOx catalysts increased to approximately RMB58.5 million for the Reporting Period, representing an increase of 12.7% as compared to approximately RMB51.9 million for the same period in 2022, which was primarily attributable to fluctuations in market demand. The average selling price of plate-type DeNOx catalysts per cubic metres ("**m^3**") increased by approximately 12.5% from RMB12,758 per m^3 in 2022 to RMB14,353 per m^3 for the Reporting Period, while the sales volume of plate-type DeNOx catalysts slightly decreased by approximately 0.7% from 4,642 m^3 in 2022 to 4,608 m^3 for the Reporting Period. The plate-type DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc.

Revenue generated from sales of honey-comb DeNOx catalysts increased by 119.8% from approximately RMB9.6 million for the same period in 2022 to approximately RMB21.1 million for the Reporting Period, mainly due to fluctuations in market demand. The average selling price of honey-comb DeNOx catalysts per m^3 increased by approximately 54.9% from RMB13,493 per m^3 in 2022 to RMB20,902 per m^3 for the Reporting Period, and the sales volume of honey-comb catalysts increased by approximately 43.8% from 795 m^3 in 2022 to 1,143 m^3 for the Reporting Period. The honey-comb DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc. Due to the significant increase in the number of honey-comb DeNOx catalysts contracted in 2023, the pandemic was lifted and shipments were no longer affected by this, resulting in a significant increase in revenue of honey-comb DeNOx catalysts in 2023.

During the Reporting Period, the Group recorded a revenue from sales of DeNOx catalysts for vehicles of approximately RMB46.7 million. The significant increase in the revenue from DeNOx catalysts for vehicles as compared to the same period in 2022 was mainly attributable to the Group's vigorous efforts to develop the market for vehicle catalysts, which achieved initial results in 2023, resulting in an increase in sales of vehicle catalysts.

Gross profit

During the Reporting Period, the Group recorded a gross profit of approximately RMB24.5 million due to the increase in the production volume of honey-comb DeNOx catalysts, which in turn further resulted in the decrease in production costs.

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 Reporting Period as compared to the same period in 2022, mainly due to the increased marketing efforts in promoting our products to overseas markets, representing 25.2% and 22.7% of the Group's total revenue from contracts with customers in 2022 and 2023, respectively.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation. The Group's administrative expenses slightly decreased by 4.0% from approximately RMB17.5 million in 2022 to approximately RMB16.8 million for the Reporting Period which was primarily attributable to the decrease in various consultancy fees.

Finance income/(costs)

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

Loss attributable to the owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company increased by 8.1% from approximately RMB23.5 million in 2022 to approximately RMB25.4 million for the Reporting Period.

Other performance indicators

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

	As at or for the year ended 31 December	
	2023	2022
Current Ratio *(Note 1)*	**1.6 times**	2.1 times
Quick Ratio *(Note 2)*	**0.5 times**	0.8 times
Return on equity *(Note 3)*	**N/A**	N/A
Return on total assets *(Note 4)*	**N/A**	N/A

Notes:

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

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

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

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

Current ratio and quick ratio

The Group's current ratio decreased from 2.1 times as at 31 December 2022 to 1.6 times as at 31 December 2023 and quick ratio decreased from 0.8 times as at 31 December 2022 to 0.5 times as at 31 December 2023. Such decrease was mainly due to the increase in down payment from customers of approximately RMB97.3 million as at 31 December 2022 to approximately RMB161.2 million as at 31 December 2023 because more sales contracts were awarded in the second half of 2023.

Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2022 and 2023, as it has recorded a loss attributable to the owners of the Company for the years ended 31 December 2022 and 2023.

Liquidity and Capital Resources

The Group's financial position remains solid and the Group has sufficient financial resources to meet its commitments and working capital requirements. As at 31 December 2023, the Group had net current assets of approximately RMB122.1 million (2022: approximately RMB139.2 million) of which cash and cash equivalents were approximately RMB44.3 million (2022: approximately RMB24.0 million) and were denominated in RMB, US$, HK$ and Euro€ as at 31 December 2023.

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was 1.2% as of 31 December 2023 (2022: nil).

Use of net proceeds from the Listing

As at 31 December 2023, net proceeds of the Group not utilised of approximately RMB19.3 million were deposited into interest bearing bank accounts with licensed commercial banks and will be applied according to the section headed "Use of proceeds" of the prospectus of the Company dated 30 October 2015, taking into account the reallocations as set out in the announcements of the Company dated 28 December 2020 and 28 December 2022 respectively.

Purposes	Original allocation of net proceeds as stated in the Prospectus RMB'million	Re-allocation of net proceeds on 28 December 2020 *(Note 1)* RMB'million	Re-allocation of net proceeds on 28 December 2022 *(Note 1)* RMB'million	New allocation for unutilized amount of net Proceeds RMB'million	Unutilized net proceeds as at 31 December 2022 RMB'million	Utilized net proceed during the year ended 31 December 2023 RMB'million	Unutilized net proceeds as at 31 December 2023 RMB'million	Expected timeline for fully utilization of the remaining proceeds *(Note 2)*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	(3.5)	–	–	–	–	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	12.3	16.1	3.8	12.3	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)	7.0	10.0	3.0	7.0	Fourth quarter of 2025
Total	171.0	171.0	–	19.3	26.1	6.8	19.3	

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

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

Borrowings

The Group has outstanding borrowings approximately of RMB4.5 million as at 31 December 2023 (2022: nil).

Pledge of Assets

The Group has pledged certain machineries with the net carrying amount of approximately RMB8.8 million as at 31 December 2023 (2022: nil).

Capital expenditure

The Group incurred capital expenditure to expand its operations, maintain its equipment and increase its operational efficiency. During the Reporting Period, the Group had invested approximately RMB0.3 million for the purchase of property, plant and equipment (2022: approximately RMB2.4 million). These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 31 December 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 31 December 2023, the capital commitment for acquisition of property, plant and equipment amounted to approximately RMB2.4 million (31 December 2022: RMB1.1 million).

Contingent liabilities

The Group did not have any material contingent liabilities, guarantees and litigation as at 31 December 2022 and 2023.

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

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

There was no plan authorised by the Board for other material investments or additions of capital assets of the Group at the date of this annual report.

Employees and Remuneration

As at 31 December 2023, the Group had 189 employees (2022: 182 employees). Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Remuneration of the Group's employees includes salaries, pension, discretionary bonus, medical insurance scheme and other applicable social insurance. The Group's remuneration policy for the Directors, senior management and employees are based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors, senior management members and employees. Further, the Group adopted the share option scheme on 14 October 2015. Further information of such share option scheme is available on page 30 of this annual report. As the growth of the Group is dependent upon the skills and dedication of employees, the Group recognises the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Important events affecting the Group after the Reporting Period

On 6 November 2023, the Company and Ms. Zhao Shu, the chairlady of the Board and an executive Director and controlling shareholder of the Company (being the subscriber) entered into a share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 98,807,400 subscription Shares at the subscription price of HK$0.048 per subscription Share for a total consideration of HK$4,742,755.2 in cash. The subscription has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 5 January 2024. A whitewash waiver was also granted by the Securities and Futures Commission to the Company on 3 January 2024 accordingly. As all conditions precedent under the share subscription agreement have been satisfied, the share subscription has been taken place on 26 January 2024, and that 98,807,400 subscription Shares were duly allotted and issued by the Company to the subscriber at the subscription price of HK$0.048 per subscription Share pursuant to the specific mandate sought from the independent shareholders of the Company at the extraordinary general meeting of the Company held on 5 January 2024 upon completion. 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.

Save for above, there are no important events affecting the Group taken place after 31 December 2023 and up to the date of this annual report.

Principal Risks and Uncertainties

The Group's business, financial condition, results of operations and prospects may be affected by a number of risks and uncertainties.

The following section lists out the principal risks and uncertainties identified by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risk areas outlined below which are not presently known to the Group, or that the Group currently deems to be immaterial but could turn out to be material in the future.

Risks pertaining to the market price of plate-type DeNOx catalysts

The average selling price of plate-type DeNOx catalysts per m^3 has experienced a drop from RMB25,080 per m^3 in 2014 to RMB12,758 per m^3 in 2022 due to market vicious competition. To compete effectively and maintain the Group's market share, the Group has reduced its selling prices. The Group's business and revenue growth is dependent on favourable market conditions in the PRC and therefore any potential decline in selling prices in the PRC could have a material adverse effect on its business, results of operations and financial condition.

Risks pertaining to the reliance on the major customers

The customer base of the Group is highly concentrated. Most of its customers are major coal-fired power plants, DeNOx EPC service providers and boiler manufacturers. For the year ended 31 December 2023, sales to the largest customer and five largest customers of the Group, which are the large state-owned power generation groups in China in aggregate amounted for approximately 36.3% and 59.3% of the Group's total revenue, respectively. Failure to maintain relationships with its major customers, adverse change in their business, investment strategies and/or reduction in the growth rate of their investment in DeNOx equipment may pose an adverse significant impact on the Group's business, financial conditions or results of operations.

Foreign exchange risk

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

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Board also paid attention to the Group's policies and practices on compliance with legal and regulatory requirements. The Group would seek professional legal advice from its legal advisers to ensure transactions and business to be performed by the Group are in compliance with the applicable laws and regulations.

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. As far as the Company is aware, the Group has complied in material aspects with the relevant laws and regulations which have a significant impact on the business and operations of the Group during the year ended 31 December 2023.

Key Relationships with the Group's Employees, Customers and Suppliers

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. With an aim to enhancing the quality of the Board's performance by diversity, the board diversity policy was adopted in October 2015. Details of such board diversity policy are set out in the corporate governance report. Further, the Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, employees' rights and benefits. The Group establishes and implements policies that promote a harmonious and respectful workplace.

The Company believes that the Directors, senior management and employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the share option scheme was adopted by the Company on 14 October 2015 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, such as annual dinner, to promote staff relationship. The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group maintains good relationships with existing and potential customers (including the major customers) as understanding of the market trends would enable the Group to monitor and respond to change in a timely manner, which are crucial to the development and success of the Group.

Results and Appropriations

The results of the Group for the year ended 31 December 2023 are set out in the accompanying financial statements on page 121.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Closure of Register of Members

For determining the entitlement of the shareholders of the Company to attend and vote at the Annual General Meeting to be held on Thursday, 20 June 2024, the register of members of the Company will be closed from Monday, 17 June 2024 to Thursday, 20 June 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 June 2024.

Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 188.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year ended 31 December 2023 are set out in note 17 to the consolidated financial statements.

Share Capital

Details of the share capital of the Group and the Company are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report and note 32 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 December 2023, the aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 36.3% and 59.3% of the Group's aggregate revenue respectively, while the aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 13.3% and 37.5% of the Group's aggregate purchases respectively.

None of the Directors, their close associates or any Shareholder (whom to the knowledge of the Directors owns more than 5% of the total number of the issued Shares) had any interests in the Group's five largest customers or suppliers.

Dividend Policy

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Company;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board may deem appropriate and relevant.

Any declaration and payment as well as the amount of the final dividends requires the approval of the Shareholders, and is also subject to all relevant applicable laws, rules and regulations in the Cayman Islands and the Articles of Association. The Board will review the dividend policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

Treasury Policy

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

Share Option Scheme

On 14 October 2015, the Company adopted a share option scheme (the "**Share Option Scheme**") whereby the Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares to (a) full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (b) any directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries (the "**Eligible Participants**") as described in the Share Option Scheme in order to serve as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries. An option may be accepted by an Eligible Participant not later than 30 days after the date on which such option is offered in writing to such Eligible Participant. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. Details of the Share Option Scheme are set out below:

(a) Maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 49,403,700 Shares, representing 8.33% of the total number of Shares as at the date of this annual report, respectively, excluding for this purpose Shares which may have been issued upon the exercise of the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the terms of the Share Option Scheme whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(b) Maximum number of options to each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.03D(2) of the Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if such Eligible Participant is a connected person) (as defined in the Listing Rules) abstaining from voting.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(d) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial Shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting by way of a poll at which all connected persons of the Company shall abstain from voting in favor of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(e) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from 14 October 2015. The remaining life of the Share Option Scheme is around 1.5 years.

(f) Details of any options granted, exercised, canceled or lapsed under the Share Option Scheme

During the Reporting Period and up to the date hereof, no share options share has been granted, exercise, canceled or lapsed under the Share Option Scheme. As of 31 December 2022 and 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 at the end of the financial year ended 31 December 2023 was 49,403,700.

The number of shares available for issue under the Share Option Scheme was 49,403,700 Shares, representing 8.33% of the issued Shares as at the date of this annual report.

Directors

The Directors during the Reporting Period and up to the date of this annual report were:

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

Biographical details of the Directors and senior management of the Group are set forth in the section headed "Directors and Senior Management" of this annual report.

In accordance with Article 84(1) of the Articles of Association, one-third of the Directors for the time being shall retire from their offices by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, Ms. Zhao Shu and Mr. Ong Chor Wei shall retire from office and being eligible, offer themselves for re-election at the Annual General Meeting.

Changes to Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company subsequent to the date of the 2022 annual report of the Company and up to the date of this annual report are set out below:

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

Mr. Ong resigned as an independent non-executive director of Smart Globe Holdings Limited (a company listed on the Stock Exchange, stock code: 1481) with effect from 7 July 2023.

Please refer to the section headed "Directors and Senior Management" on page 42 of this annual report for the updated biographical details of the Directors.

Confirmation of Independence

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Directors' Service Contracts

All executive Directors have entered into service contracts with the Company for an initial term of three years until terminated in accordance with the terms of the service contracts. All non-executive Directors have signed a letter of appointment with the Company with no specific term until terminated in accordance with the terms of the letter of appointment. Under the service contracts or letter of appointment, either party may terminate such contract at any time by giving the other not less than three months' notice in writing.

None of the Directors has a service contract or letter of appointment with the Company which is not determinable by our Group within one year without payment of compensation (other than statutory compensation).

None of the Directors (including any Director who may be proposed for re-election at the forthcoming Annual General Meeting) has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Retirement Benefit Plans

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") in Hong Kong. The Group also participates in an employee social insurance plan as required by the regulations in the PRC, under which the Group is required to contribute a specific percentage of the salaries of its employees to the retirement scheme, and the level of contributions are not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. Details of the retirement benefit plans of the Group are set out in notes 3 and 34 to the consolidated financial statements.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2023, the interests and short positions of the Directors and chief executive 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 executive 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 Shu ("**Ms. Zhao**")	Beneficial owner	24,612,477 (L)	4.98%
	Interest in controlled corporation *(Note 3)*	153,031,609 (L)	30.98%
Mr. Li Xingwu ("**Mr. Li**")	Interest in controlled corporation *(Note 4)*	51,075,015 (L)	10.34%
Mr. Li Ke	Interest in controlled corporation *(Note 5)*	2,962,474 (L)	0.60%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. The percentages are calculated based on 494,037,000 Shares in issue as at 31 December 2023.

3. 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.

4. These 51,075,015 Shares are held by EEC Technology Limited which is wholly owned by Mr. Li. Mr. Li is deemed to be interested in these Shares by virtue of the SFO.

5. These 2,962,474 Shares are held by Fine Treasure Asia Holdings Limited ("**Fine Treasure**") 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 31 December 2023, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or 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 pursuant to section 352 of the SFO, or is otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

As at 31 December 2023, so far as the Directors were aware of, the following persons' (other than the Directors and chief executive of the Company) interests or short position in the Shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Shareholder	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 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) having an interest or short position in the Shares and underlying shares 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 under section 336 of the SFO.

Equity Linked Agreements

On 6 November 2023, the Company and Ms. Zhao Shu, the chairlady of the Board, chief executive officer and an executive Director (being the subscriber) entered into the share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 98,807,400 subscription shares at the subscription price of HK$0.048 per subscription share for a total consideration of HK$4,742,755.2 in cash. The subscription has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 5 January 2024. A whitewash waiver was also granted by the Securities and Futures Commission to the Company on 3 January 2024 accordingly. As all conditions precedent under the share subscription agreement have been satisfied, the share subscription has been taken place on 26 January 2024, and that 98,807,400 subscription shares were duly allotted and issued by the Company to the subscriber at the subscription price of HK$0.046 per subscription share pursuant to the specific mandate sought from the independent shareholders of the Company at the extraordinary general meeting of the Company held on 5 January 2024 upon completion. 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.

Save as disclosed as above and in the section headed "Share Option Scheme" on page 30 of this annual report, no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2023 and up to the date of this annual report.

Finance Lease Agreement

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, pursuant to which (i) the lessee has agreed to sell the leased assets to the lessor at a consideration of RMB5,000,000.00 (equivalent to approximately HKD5,454,000.00); 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 RMB5,362,858.00 (equivalent to approximately HKD5,849,806.00). For further details, please refer to the announcement of the Company dated 8 December 2023.

Directors' Right to Acquire Shares or Debentures

Save for the Share Option Scheme as disclosed on page 30 of this annual report, at no time during the year ended 31 December 2023 was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

Controlling Shareholders' Interests in Contracts

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group had been made during the Reporting Period.

Permitted Indemnity Provision

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Competing Business of the Controlling Shareholders

A deed of non-competition dated 25 October 2015 (the "**Deed of Non-Competition**") was entered into between the Company and the controlling Shareholders, namely Ms. Zhao Shu and Advant Performance Limited, who have undertaken to the Company that she/it would not, and would procure her/its close associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business (other than the Group's business) that directly or indirectly, competes, or may compete, with the Group's business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time, unless otherwise permitted according to the Deed of Non-Competition. The Company has received an annual written confirmation from each of the Controlling Shareholders in respect of the compliance by them and their close associates with the Deed of Non-Competition.

Each of Ms. Zhao Shu and Advant Performance Limited, the controlling shareholders (within the meaning of the Listing Rules) of the Company, has confirmed to the Company that each of them and its close associates has complied with the non-compete undertaking given by her/it to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2023.

Other than the Group's business, none of the executive Directors or their respective associates have any interests in any business that competes or is likely to compete with the Group's business during the year ended 31 December 2023.

Related Party Transactions

Details of the related party transactions entered into by the Group during the year ended 31 December 2023 are set out in Note 36 to the consolidated financial statements, and none of these related party transactions constituted a connected transaction or continuing connected transaction pursuant to Chapter 14A of the Listing Rules.

Distributable Reserves

The Company has no distributable reserve as at 31 December 2023 (2022: Nil).

Purchase, Sale or Redemption of Listed Securities

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares.

Compliance with the Model Code

The Company has adopted the the Model Code in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period and up to the date of this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, the Company has maintained the prescribed minimum percentage of public float of at least 25% as required by the Listing Rules.

Donations

During the Reporting Period, our Group made no charitable and other donations.

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. Ms. Chan Yeuk Wa and Mr. Ong Chor Wei are independent non-executive Directors with appropriate professional qualification under Rule 3.10(2) of the Listing Rules. Ms. Chan Yeuk Wa is the chairlady of the Audit Committee.

The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2023 in conjunction with the Company's auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

Change of Auditor

CL Partners CPA Limited was appointed as the auditor of the Company following the resignation of SHINEWING (HK) CPA Limited on 18 November 2022 and will hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcement of the Company dated 21 November 2022.

On behalf of the Board
Zhao Shu
Chairlady

Hong Kong, 26 March 2024

BOARD OF DIRECTORS

Executive Directors

Ms. Zhao Shu (趙姝), aged 58, was appointed as a Director on 7 November 2014 and was re-designated as an executive Director on 19 October 2015. She is primarily responsible for the overall management of the Group. Ms. Zhao is the chairlady of the Board, the chief executive officer and authorised representative of the Company, the chairlady of the Nomination Committee and a member of the Remuneration Committee. Ms. Zhao is also the general manager of Beijing Denox Environmental & Technology Co., Ltd. (北京迪諾斯環保科技有限公司) ("**Beijing Denox**") and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd. ("**Gu'an Denox**"). Ms. Zhao has over 25 years of experience in the environmental protection industry. Prior to joining the Group, from August 1988 to February 1998, Ms. Zhao held various positions in the 5th Design and Research Institute of China Ordinance Industry (中國兵器工業第五設計研究院), now known as China Wuzhou Engineering Corporation Ltd. (中國五洲工程設計有限公司), a company providing integrated services for engineering construction where she last served as an engineer and was primarily responsible for coordinating with different professionals to complete the whole design of power projects. From February 1998 to December 2004, Ms. Zhao held various positions in China Huadian Engineering Co., Ltd. (中國華電工程（集團）有限公司), a prime contractor for project construction and service applied in the industry of electronic power, petrifaction, harbor, metallurgy, mining, civilian and new energy engineering where she last served as executive deputy general manager of its desulphurization business department and was primarily responsible for the implementation of the prime contracts and procurement contracts. From February 2005 to February 2006, Ms. Zhao served as the general manager assistant of Guohua Ebara Environmental Engineering Co., Ltd. (國華荏原環境工程有限責任公司), a company engaging in environmental engineering projects where she was primarily responsible for handling commercial and legal matters. From March 2006 to May 2011, Ms. Zhao held various positions in China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司), a prime contractor for the projects related to environmental protection for the power industry, including denitrification in power plants where she served as the general manager of its environmental affairs department until late 2010 and was primarily responsible for the management of the desulphurization and denitrification business. Ms. Zhao received her bachelor of engineering, majoring in engineering for thermal power conversion, from Shanghai Institute of Mechanism (上海機械學院), now known as the University of Shanghai for Science and Technology (上海理工大學) in July 1988. Ms. Zhao obtained the qualification as a senior project manager (高級項目管理師) granted by the Occupational Skills Appraisal Center from the Ministry of Labor and Social Security (勞動和社會保障部職業技能鑒定中心) in November 2006.

Mr. Li Ke (李可), aged 56, was appointed as the Director on 9 February 2015 and was re-designated as an executive Director on 19 October 2015. Mr. Li is also the deputy general manager of Beijing Denox, Gu'an Denox and the Company. He is primarily responsible for the production management, equipment management, research and development and quality control of the Group. Prior to joining the Group, from July 1991 to January 1994, he was the assistant engineer of Scivic Engineering Corporation (機械工業第四設計研究院), a company engaged in the engineering management and supervision, where he was primarily responsible for the design of power stations. From February 1994 to January 2010, Mr. Li held various positions in Kurabo Denim (Zhuhai) Textile Co., Ltd. (倉紡（珠海）紡織有限公司), a company engaged in manufacturing of textile products, where he last served as the head of its engineering works department and was primarily responsible for the set-up and maintenance of the equipment and enhancement of technical alterations. Mr. Li received his bachelor of engineering from Southeast University (東南大學) in July 1991, majoring in thermal power engineering (電廠熱能動力工程) of power plants. Mr. Li was awarded the China Machinery Industry Science and Technology Award (Third Class) in October 2012.

Non-executive Director

Mr. Li Xingwu (李興武), aged 57, was appointed as the Director on 7 November 2014 and was re-designated as a non-executive Director on 19 October 2015. Prior to joining the Group, from July 1988 to January 2000, Mr. Li held various positions in China National Electric Equipment Corporation (中國電工設備總公司), now known as China National Electric Engineering Co., Ltd. (中國電力工程有限公司), a company engaged in EPC contracting, complete equipment supply, engineering consultation, engineering design, project management and supervision, installation and commissioning, technical service, power plant maintenance and operation where he last served as project manager and was primarily responsible for providing technical support and advice to major projects and helping to promote technological innovation. From January 2000 to July 2009, Mr. Li served as project manager of General Machinery Development Co., Ltd. (通達機械有限公司), a trading company engaged in the sale of various types of general machinery, electrical equipment and instrument products, where he was primarily responsible for implementation and management of the transportation and water supplies projects. Since August 2009, Mr. Li founded Yu The Great Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程（北京）有限公司), a contractor for construction projects where he serves as the chairman and is primarily responsible for strategic planning.

Mr. Li received his bachelor of engineering, majoring in engineering for thermal conversion, from Shanghai Institute of Mechanism (上海機械學院), now known as University of Shanghai for Science and Technology (上海理工大學) in July 1988. Mr. Li obtained the qualification as a senior engineer (高級工程師) in respect of construction of the thermal conversion granted by the Ministry of Mechanical Industry (機械工業部) in October 1998.

Independent non-executive Directors

Ms. Chan Yeuk Wa (陳躍華), aged 53, was appointed as an independent non-executive Director on 30 June 2020. Ms. Chan is the chairperson of the Audit Committee. Ms. Chan has extensive experience in investment banking and commercial banking industry. From 1995 to 2006, she worked in Bank of China (Hong Kong) Limited and was responsible for marketing promotion and IPO Receiving Bank Service and Dividend Payment Services, and among others, mergers & acquisitions, privatization, shares repurchase and placing. From 2006 to 2009, Ms. Chan was the team head of IPO Service in the Commercial Business Management Department in Industrial and Commercial Bank of China (Asia) Limited, where she oversaw IPO and listing-related business and developed various banking products. From 2012 to 2019, Ms. Chan was a director and the chief executive officer at Partners Financial Holdings Limited, where she was responsible for various mergers & acquisitions transactions and establishment of private equity funds. Ms. Chan obtained a Master of Business Administration degree from the University of South Australia in 2004.

Mr. Li Min (李民), Ph.D. aged 55, was appointed as an independent non-executive Director on 1 November 2017. Mr. Li is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr Li has been a researcher at the Department of Energy and Power Engineering at the School of Vehicle and Traffic Engineering in Henan University of Science and Technology where he is currently an associate professor and is primarily responsible for teaching and researching on internal combustion engine vibration and noise control, internal combustion engine structure finite element simulation (CAE) and diesel engine tail gas treatment. From July 1991 to February 1996, Mr. Li was an assistant engineer Luoyang Yisuo Company Technology Center (洛陽一拖公司技術中心) where he was primarily responsible for engine testing and pump design work.

Mr. Li received 2 second prizes of Scientific and Technological Progress in Henan Province, and approval for 4 applications of invention patent. He also conducted and completed 2 appraisals for Henan Provincial Department of Science and Technology. He has published more than 20 academic theses in domestic and foreign academic periodicals, of which more than 10 were published by EI. He obtained education and teaching awards such as the outstanding teacher, the outstanding lecturer of master program and the outstanding lecturer of undergraduate design programme at Henan University of Science and Technology.

Mr. Li received his bachelor's degree from Xi'an Jiaotong University in July 1991, his master's degree from Henan University of Science and Technology in July 2000, and his doctorate's degree from Tianjin University in March 2009.

Mr. Ong Chor Wei (王祖偉), aged 53, was appointed as an independent non-executive Director on 18 October 2015. Mr. Ong is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Ong has over 33 years of experience in finance and accounting. He holds a Bachelor of Laws degree from The London School of Economics and Political Science, The University of London. Mr. Ong also holds a distance learning degree in Masters in Business Administration which was jointly awarded by The University of Wales and The University of Manchester. Mr. Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ong is currently an executive director of Net Pacific Financial Holdings Limited and a non-executive director of Joyas International Holdings Limited, both of which are listed on the Singapore Exchange. He is also currently an executive director of GBA Holdings Limited (which is listed on the main board of the Stock Exchange, stock code: 0261).

Previously, Mr. Ong was an independent non-executive director of O-Net Technologies (Group) Limited (stock code: 877) (from 2010 to 2020), Man Wah Holdings Limited (stock code: 1999) (from 2010 to 2022), Nameson Holdings Limited (stock code: 1982) (from 2016 to 2022), and Smart Globe Holdings Limited (stock code: 1481, previously 8485) (from 2017 to 2023), all of which are listed on the main board of the Stock Exchange. Mr. Ong was also a non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191) (from 2013 to 2016) and Prosperous Printing Company (stock code: 8385) (from 2016 to 2020), which both companies are listed on the GEM of the Stock Exchange, and Vico International Holdings Limited (stock code: 1621) (from 2017 to 2019), a company listed on the Stock Exchange. Mr Ong was also an executive director on a part-time basis of Zibao Metals Recycling Holdings Plc (a company trading on AIM, a market operated by the London Stock Exchange Plc) (from 2014 to 2019).

SENIOR MANAGEMENT

Mr. Liu Lianchao (劉連超), aged 49, was appointed as one of the joint company secretaries and the authorised representative of the Company on 8 May 2015. Mr. Liu is also the deputy general manager of Beijing Denox, Gu'an Denox and the Company. Mr. Liu is primarily responsible for the management of human resources and company secretarial matters. Prior to joining the Group, Mr. Liu served as a technician of Daimler Chrysler Railway System Signal (Shenyang) Co., Ltd. (瀋陽戴姆勒克萊斯勒鐵路系統信號有限公司), a company principally engaged in the design of railway signaling system from June 1999 to March 2001, where he was primarily responsible for technical works.

From April 2004 to April 2005, Mr. Liu served as a manager of the human resources department of Zhejiang Putong Fuwu Shichang Co., Ltd. (浙江普通服務市場有限公司), a company providing the storage and distribution services, where he was responsible for the set-up of the distribution center and management of human resources. From February 2006 to April 2012, Mr. Liu served as an officer of the department of planning and development of China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) where he was primarily responsible for planning and development. Mr. Liu received his bachelor of engineering, majoring in fluid power transmission and control, from Beijing University of Aeronautics and Astronautics (北京航空航天大學), now known as Beihang University, in July 1998. Mr. Liu received his master of business administration from Tongji University (同濟大學) in November 2004. Mr. Liu received his doctorate's degree of management, majoring in corporate management, from Renmin University of China (中國人民大學) in January 2011. Mr. Liu obtained the qualification as economist granted by the Personnel Bureau in November 2006.

Mr. Chen Qizhao (陳其照), aged 31, was appointed as the chief financial officer of the Company on 1 June 2020. Mr. Chen graduated from the University of Southern California in the United States in May 2015 majoring in Business Administration. During his time in university, he has successively interned in the investment banking department of Huachuang Securities Co., Ltd. in Beijing, SEAVI Advent in Singapore, and the investment and financing department of CITIC Bank International in Shanghai, and has accumulated working experiences in project due diligence and China investment analysis, corporate initial public offering, and convertible bond and trust business. Mr. Chen has served as a financial manager in the financial department of the Company since he graduated from university, and his main duties are to make use of financial data to optimise the Company's operation management, reduce the Company's operational risks, and improve the Company's profitability. Mr. Chen is the son of Ms. Zhao Shu, the chairlady, the chief executive officer and an executive Director of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About the Environmental, Social and Governance Report

This is the seventh Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") of Denox Environmental & Technology Holdings Limited (the "**Company**"). The ESG Report illustrates the sustainability strategies and performance of the Company and its subsidiaries (collectively, "**we**" or the "**Group**") regarding ESG aspects. The ESG Report should be read together with the Corporate Governance Report to have a holistic picture of the ESG performance of the Group. The ESG Report has been reviewed and approved by the Board of Directors.

1.1. Reporting Boundary

The organizational boundary of the ESG Report covers the Company and its subsidiaries, including Beijing Denox Environmental & Technology Co., Ltd ("**Beijing Denox**") and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd ("**Gu'an Denox**"). The ESG Report includes office operation, the research and development, manufacturing, and sales of DeNOx catalysts. The Reporting Period of the ESG Report is from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"), which is consistent with this annual report.

1.2. Reporting Guideline

The ESG Report is prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") of the Listing Rules issued by the Stock Exchange of Hong Kong Limited ("**HKEX**"). The ESG Report follows the mandatory disclosure requirements and "comply or explain" provisions of the ESG Guide of HKEX and the Group has followed the four reporting principles consisting of materiality, quantitative, balance and consistency in preparing the ESG Report.

Materiality	• The ESG Report focuses on responding to the material issues that concern our stakeholders. Therefore, we have identified the material issues through materiality assessment, including conducting stakeholder engagement through questionnaires and determining material issues by the Board of Directors. The detailed materiality assessment process and results are described in Chapter 2.4.2 "Materiality Assessment".
Quantitative	• To evaluate our environmental and social performance, we provide the key performance indicators ("**KPIs**") during the Reporting Period, and disclose information on the standards, methodologies, assumptions and/or calculation tools and source of conversion factors used, for the reporting KPIs.
Balance	• The ESG report should provide an unbiased picture of our performance. The ESG Report should avoid selections, omissions, or presentation formats that may inappropriately influence the decisions or judgment of the report reader.
Consistency	• We adopt consistent calculation methods used in previous reporting periods, providing meaningful comparisons of our environmental and social performance.

1.3. Reporting Language

The ESG Report is published in Traditional Chinese and English versions. If there is any ambiguity between the two versions, the Traditional Chinese version shall prevail.

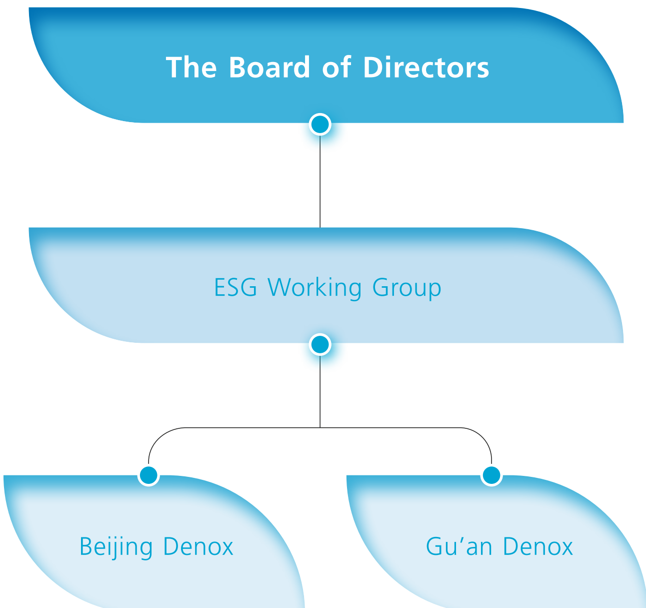
2. Governance in Sustainable Development

The Board of Directors of the Company has incorporated sustainable development governance matters into our important agenda. During the Reporting Period, we have deeply integrated ESG issues into our corporate governance framework, supporting the Group to progress toward sustainable development. At the same time, to further ensure transparency and accountability of all of our operational activities, the Board of Directors of the Company adheres to principles of corporate governance, benchmarks law and commercial standards, and maintains a continuous attention on areas including internal monitoring, fair disclosure, and responsibility to all shareholders.

During the Reporting Period, in order to prioritize stakeholder interests, the Group conducted surveys and studies on stakeholders, assessed and weighed material issues, and responded to various aspects of these stakeholders' focused concerns in ESG Report. We determine the Company's critical ESG risks through ESG risk assessment and manage these risks effectively and comprehensively.The Board of Directors will regularly review and oversee the status and progress of ESG Targets

2.1. ESG Governance Structure

A compendious and effective ESG governance structure can help the Group better respond to and implement relevant ESG governance strategies and measures. We have built a top-down ESG governance structure to meet the needs. The Group's ESG governance structure is as follows:



The Board of Directors serves as the highest decision-making body for ESG issues within the Group and is responsible for overseeing ESG issues. The Board of Directors is responsible for setting the overall ESG management targets, management strategies, and management policies, as well as supervising and approving management policies, management strategies, and reports of ESG. To fully play the role of the Group's regulatory mechanism for ESG issues and to assist the Board of Directors in guiding and implementing governance functions of ESG matters, an ESG Working Group authorized by the Board of Directors has been established. The ESG Working Group is chaired by the Secretary of the Board of Directors of the Group and consists of functional department heads of the Group. And responsibilities of the ESG Working Group include:

- To develop and review the ESG management policies and strategy in a timely manner
- To identify, assess and manage ESG risks and opportunities related to the Group
- To set ESG targets and to review progress and performance on ESG Targets
- To identify, assess and manage the Group's ESG issues
- To prepare ESG reports

The ESG Working Group regularly reports to the Board of Directors on important ESG issues and work situations to ensure that the Board of Directors is informed of ESG work situations in a timely manner, and discusses and decides on important ESG matters. The ESG Working Group is also responsible for facilitating and coordinating the implementation and execution of ESG work of the functional departments of the Group, and has achieved the continuous integration of sustainable development concepts into daily operations.

2.2. ESG Risk Assessment and Management

The Board of Directors of the Company is responsible for the overall management of risk and internal control systems within the Group and also reviews the effectiveness of the Company's ongoing operational benchmarks. In addition, the Board of Directors of the Company recognizes industrial ESG risks and incorporates ESG risk management into its existing risk management system and internal control systems. Through effective operation of its risk management and internal control processes, the Board of Directors of the Company identifies, assesses, prioritizes, and manages significant risks and derivative risks of ESG issues during the process of achieving its business objectives.

During the Reporting Period, the Group conducted an ESG risk assessment for the year 2023 by reviewing the ESG risk results of 2022. Based on analysis of the results, we identified the prioritization of ESG risks for the Company and effectively recognized important ESG risks. Among these risks, the Emissions and Management and Data Security/Cyber Attacks are the ESG risks of highest importance to the Group.

The Group has identified the following ESG risks that are critically important to its operations and business during the Reporting Period and reviewed relevant management measures to ensure that such risks are effectively controlled:

Risk	Risk Level	Risk Impact	Management Measures
Air Emissions and Management	High	Company that does not properly treat its emissions may violate the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations, affecting the normal production and operation of the company as well as its reputation, and even leading to the company facing litigation.	• The Group implements the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Regulations of Hebei Province on the Prevention and Control of Air Pollution, the Technical Guidelines for the Formulation of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather (Revision 2020) by the Ministry of Ecology and Environment, the Technical Guidelines for Emergency Emission Reduction of Eight Industries in Heavily Polluted Weather in Hebei, the Guiding Opinions on Differentiated Management of Heavy Pollution Weather in Non-Key Industries in Lang fang* and other laws, regulations and normative documents. Opinions" and other laws, regulations and regulatory documents;

Risk	Risk Level	Risk Impact	Management Measures
			• The Group has formulated the *Operational Plan for Emergency Response in Heavy Pollution Weather* in light of the actual situation, and has scientifically, reasonably, effectively and proactively established an emergency response mechanism for heavy pollution weather, so as to build up an air pollution emergency safeguard system that is proactive in defense, orderly in command, swift in response, coordinated and effective in prevention; • During periods of heavy polluted weather, the Group adopts corresponding emergency response and emission reduction measures. It also establishes emergency response teams to reduce the emission of pollutants at different alert levels. In accordance with the alert levels and under special circumstances, the Group implements emergency emission reduction measures by restricting and suspending production following the instructions from the government.

Risk	Risk Level	Risk Impact	Management Measures
Data Security/ Cyber Attacks	High	Personal data of clients and company confidentiality involved in the operation of the business may be leaked due to mishandling by personnel or cyber-attacks. Unauthorized disclosure or use of sensitive personal information may expose a business to litigation or adversely affect its reputation.	• The Group attaches importance to the protection of customers' privacy and stores customers' information in strict confidentiality to ensure that it is not leaked; • The Group has formulated *the Company Confidentiality Management System (Trial)* to regulate the management of confidentiality that each department should be responsible for. As the Marketing Department obtains and stores a large amount of customer information, the Group has adopted special information encryption measures for it. The customer information sheet in the early stage is handed over to the regional director by each sales manager, and then aggregated by the internal staff of the Marketing Department and handed over to the head of the Business Division, and no one else has the permission to access it. Project information on signed contracts is kept in a centralized manner; • The Group signs confidentiality contracts with its employees to ensure that they comply with the relevant customer privacy and confidentiality requirements and to improve the management of confidentiality work.

Risk	Risk Level	Risk Impact	Management Measures
Sustainability Management of the Supply Chain	High	Our suppliers mainly include suppliers of raw materials and equipment. Unstable supply chain will affect the production cost and operation of the Company.	• The Group has formulated *the Procurement System for the Procurement Department, the Code of Conduct for Procurement Personnel of the Company* and *the procurement and supplier management system* to strengthen the management of suppliers. The evaluation criteria and selection process of suppliers are clearly defined to ensure that the products and services provided by the selected suppliers meet the quality, environmental and social requirements as stipulated internally; • After the Group has proposed a shortlist of suppliers through internal market research, it organizes different departments to jointly set up a supplier evaluation team to evaluate and score each supplier shortlist through on-site inspections and other means, and finally selects the suppliers that have passed the evaluation according to the order of their total scores. New suppliers that pass the evaluation will be added to *the Group's Qualified Supplier Directory*, and the best performing suppliers will be finally hired. To ensure that all suppliers meet the relevant requirements, we conduct annual audits of existing suppliers on *the Group's Qualified Supplier Directory* to review their qualifications. During the reporting period, a total of 28 suppliers were reviewed and 165 suppliers were engaged.

2.3. ESG Management System, Targets and Performance

The Group has always been committed to building a comprehensive and robust management system for quality, environment, and occupational health and safety, with the aim of continuously strengthening the foundation for our sustainable development. The management system of quality, environment, occupational health, and safety established by the Group is in accordance with the GB/T 19001-2016/ISO 9001: 2015 *Quality Management System Requirements*, the GB/T 24001-2016/ISO 14001: 2015 *Environmental Management System Requirements with Guidance for Use* and GB/T45001-2020/ISO 45001: 2018 *Occupational Health and Safety Management System Requirements with Guidance for Use*. The Group regularly reviews and updates the systems to ensure that it meets the latest national and regulatory standards. Beijing Denox and Gu'an Denox have been audited by third-party institution and have obtained relative certifications in quality management system, environmental management system and occupational health and safety management system.

To promote the realization of sustainable development strategy, the Group has established annual directional and quantitative targets for quality, environment, and occupational health and safety. We have assigned responsibilities and set deadlines for achieving these targets among relevant functional departments to ensure on-time completion, and we regularly review the progress of our targets set. The Board of Directors of the Company takes responsibility for monitoring and reviewing the progress and performance of the environmental directional targets set by the Group. During the Reporting Period, the ESG Working Group has overseen and monitored the specific actions and measures taken to achieve the environmental directional targets, ensuring continued progress towards achieving the targets.

Directional Environmental Targets	Metrics	Action Plan	Actions Taken during the Reporting Period	Progress towards Targets
Energy saving targets	1. Improve energy efficiency	Assign the equipment management department to formulate maintenance plans, regularly overhaul energy-consuming equipment, and regularly repair and upgrade electronic devices in the factory to optimize energy efficiency	• Conduct regular equipment inspections, maintenance and repairment • Develop equipment maintenance plan	Ongoing

Directional Environmental Targets	Metrics	Action Plan	Actions Taken during the Reporting Period	Progress towards Targets
	2. Increase the penetration rate of low-energy consumption equipment	Replace and phase out energy-consuming equipment, establish equipment replacement schedules, etc.	• Prefer energy-saving products or equipment when replacing or adding new ones	Ongoing
	3. Promote energy-saving information	Enhance employees' awareness of energy-saving product information, such as participating in energy-saving and environmental protection product expos, and paying attention to energy-saving related market information	• Set up a dedicated marketing and promotion department • Organize staffs to participate in various environmental exhibitions • Collect energy saving related information and reported internally by the staffs of the marketing and promotion department	Milestones have been completed
	4. Save electricity	Formulate comprehensive energy-saving management work plans and measures, establish a leading group for electricity conservation	• Keep air conditioning at 26°C in summer • All offices are powered off after work • Switch to LED lighting for the factory	Milestones have been completed
Water conservation targets	1. Save water	Develop water saving measures. For example, water conservation signs are posted in places such as restrooms	• Post water conservation signs and banners in bathrooms and kitchens	Milestones have been completed

Directional Environmental Targets	Metrics	Action Plan	Actions Taken during the Reporting Period	Progress towards Targets
	2. Reduce waste of water	Regularly overhaul the water equipment in the factory to ensure no water leakage	• Regularly check the factory piping system • Timely repair of running and dripping found during the inspection	Milestones have been completed
Waste generation	1. Reduce hazardous waste	Obtain LED lighting installation data of the factory (such as the number of LED lamps and the proportion of traditional alternative lamps)	• As of May 2023, the total number of lights in the factory is 1,111 lamps • 979 LED lights, accounting for 88.12% of the total • 132 energy-saving lamps, accounting for 11.88% of the total	Milestones have been completed
Greenhouse gas ("**GHG**") emissions	1. Reduce GHG emissions from automobiles	Statistics on the overall fuel consumption of official cars or the number of times official cars are used	• Revised the vehicle use and management system of the Company on 23th August, 2023	Milestones have been completed

Directional Environmental Targets	Metrics	Action Plan	Actions Taken during the Reporting Period	Progress towards Targets
	2. Reduce GHG emissions in the production process	Plan 1: Improve the production process, increase burning rate and use of self-heating from product burning to reduce electricity consumption Implementation steps: Improve the formula and drying method to increase the stability of burning; reduce duration of the burning process, through self-heating of the product, duration of the burning process is expected to be shortened to 19%, with electricity saving greater than 19% Plan 2: Use of discarded wooden pallets as replacement of wood cubes for shipment	• Began to conduct experiment for the new formula in March 2023, in June 2023, the experiment was successful, electricity consumption of burning decreased • Recycling of wood pallets for shipment officially started in 2023, 5 cubic meters of wood cubes have been saved so far	Milestones have been completed

Directional Environmental Targets	Metrics	Action Plan	Actions Taken during the Reporting Period	Progress towards Targets
	3. Plantation of the factory	Maintain the greening rate of the factory and the number of trees planted Regular watering and pruning of green plants in the factory Replace dead green plants in the factory in time Daily maintenance and replacement of green plants in office area	• Transplanting of several Chinese Rose seedlings in the factory area in May 2023 • Sowed about 15 square meters of sunflower seeds and grass seeds	Milestones have been completed

The Group sets targets related to quality, environment and occupational health and safety every year to continuously promote its sustainability. To ensure that the targets are achieved on schedule, we have established a division of targets for relevant functional departments and regularly review the achievement of targets. The Group completed all targets set in 2023. Below is a list of targets set for 2024:

Aspects	The Group's targets set for 2024
Environment	100% compliance to standards, laws and regulations related to environmental protection
	0 environmental pollution incident
Employee	0 safety incidence
	0 occupational disease incidence
	0 fire incidence
Product Quality	Procurement compliance rate ≥ 99%
	100% qualification rate for delivered product
	Customer satisfaction rate ≥ 90%
	100% Contract fulfilment rate

2.4. Stakeholder Engagement

2.4.1. Communicate with Stakeholders

The sustainable development of the Group is closely intertwined with our stakeholders, whose opinions and expectations are the driving force behind the Group's sustainable development. Therefore, we maintain close communication with our stakeholders through various means such as our official website, email, shareholder meetings, annual reports, interim reports, announcements, correspondence, and meetings to gain a thorough understanding of their expectations, needs, sustainable development concerns, and opinions and feedback. The information serves as an important basis for the Group to improve sustainable development work and as a critical reference for determining the key contents to be disclosed in the ESG Report. During the Reporting Period, the focus and expectations of our stakeholders, as well as the communication channels we used to engage with them, are detailed in the table below.

Stakeholders	Needs and Expectations	Responses
Relevant Government Departments	Comply with environmental and safety-related laws and regulations	Enhance the screening and identification of safety hazards and work with relevant departments proactively to conduct safety inspections
Shareholders and Investors	Business developments	Implement environmental protection measures accordingly
Customers	Maintain competitiveness in the market	Formulate an operation plan which conforms to the strategy of the Group
Employees	Products comply with relevant laws and regulations, ensure products quality, and provide after-sales service	Focus on the research and development, production, and sales of industrial DeNOx catalysts and vehicles DeNOx catalysts
Suppliers	Products comply with national environmental requirements	Keep abreast of the latest environmental protection policies and market demand, enrich the variety of products, and commit to research and development and technical transformation of DeNOx catalysts
Neighboring Communities	Reasonable working hours	Strengthen product quality control and improve product quality

2.4.2. Materiality Assessment

To effectively understand which ESG issues are most important for the Group, we conducted a questionnaire survey during the Reporting Period, inviting various stakeholders to participate in materiality assessment of sustainable development issues. The aim of materiality assessment was to integrate opinions of various stakeholders on different sustainable development issues and conduct a "dual-dimensional" evaluation from both "importance to stakeholders" and "importance to the Group", further clarifying the material issues and next steps for the work of sustainable development.

The Group's process of the materiality assessment includes the following four steps:

Identification

- Identify stakeholders closely related to business operations from the perspectives of "the impact of the Group on stakeholders" and "the impact of stakeholders on the Group", and invite them to participate in the materiality assessment of this Reporting Period.

Survey

- Following the ESG Guide, the Group invites identified stakeholders from the previous step to participate in an online survey, including Board of Directors, senior management, employees, shareholders and investors, customers, neighboring communities and suppliers, to understand the extent of stakeholders' concerns and valuable opinions on potential material issues.

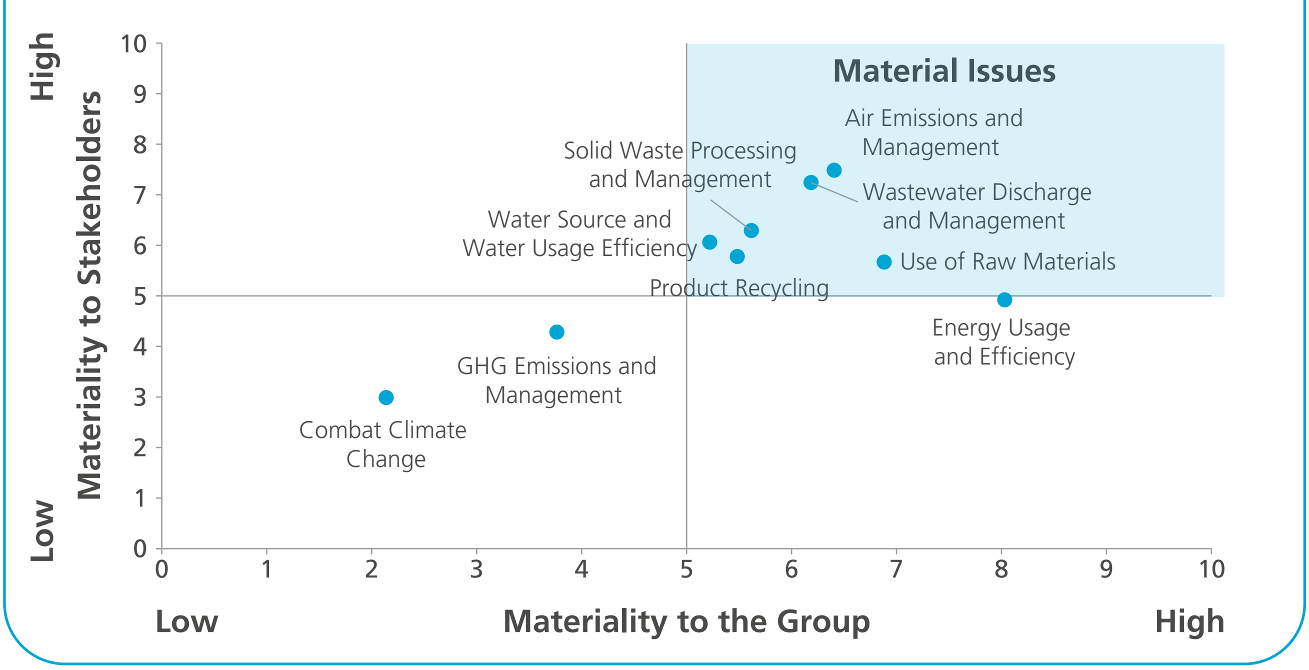
Analysis

- The Group analyses the opinions obtained from the survey in terms of two dimensions, the "materiality to the Group" and the "materiality to stakeholders", to create the material matrices and determine the relative importance of each issue under environmental and social aspects.

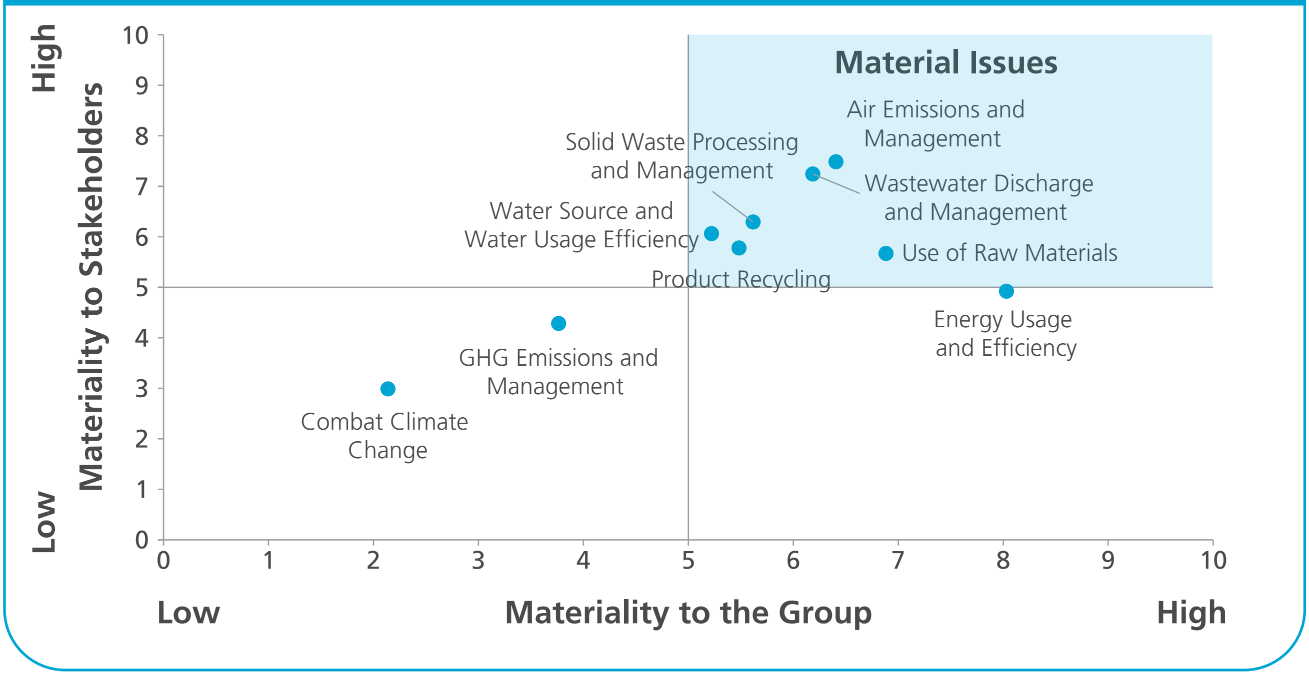
Verification

- The senior management and Board of Directors of the Company verified the ranking of the importance of sustainable development issues, and identified the issues with scores exceeding half in both "importance to stakeholders" and "importance to the Group" dimensions as material issues, and reported on them specifically in ESG Report.

Materiality Matrix of Environmental Issues



Materiality Matrix of Environmental Issues



Following the above steps and after the analysis of the materiality matrices in environmental and social aspects, the Group identified 6 environmental-related and 8 social-related issues with higher materiality which are shown below. The management approach and performance of the Group on such issues are elaborated as the focus of the subsequent sections.

Issues with Higher Materiality	
Environmental Aspect	**Social Aspect**
• Air Emissions and Management • Wastewater Discharge and Management • Use of Raw Materials • Solid Waste Processing and Management • Product Recycling • Water Source and Water Use Efficiency	• Employees' Health and Safety • Labour Standards • Employment Policy and Employees' Benefits • Employees' Development and Training • Product and Service Quality • Product Responsibility • Technology and Product Development • Supply Chain Management

3. Green Operation

The Group's main business focuses on environmental protection technology and gives priority to environmental protection in accordance with the concept of green operation. The relevant laws, regulations, and national standards that have a significant impact on the business operations of the Company include but are not limited to the *Water Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Law of the People's Republic of China on Environmental Impact Assessment*, *Law of the People's Republic of China on Promoting Clean Production*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Soil Pollution Prevention and Control Law of the People's Republic of China*, the *Directory of National Hazardous Wastes (Version 2021)*, and the *Implementation Rules for the Implementation of the Action Plan for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and Surrounding Regions*.

The Group undertakes and implements the responsibility to regularly update and compile a list of environmental legal and regulatory requirements by the relevant departments. We have formulated the *Control Procedure of Obtaining and Identifying Laws, Regulations and Other Requirements* and released information to relevant departments to ensure that the Group complies with relevant laws and regulations during its operation. During the Reporting Period, the Group strictly complied with the requirements of the above laws and regulations and did not violate relevant regulations of areas including air and GHG emissions, discharges into water and land, generation and disposal of waste, and noise pollution.

3.1. Environmental Management

In order to minimize the impact of the Group's daily operations on the surrounding environment, we have formulated a series of scientific and reasonable environmental management measures. By conducting investigations in the areas of procurement, sales, product technology development, production and after-sales services, we are able to identify important environmental factors and assess their impact on the environment so as to take targeted follow-up measures. During the Reporting Period, we have set out *the List of Key Environmental Factors* and prepared *the Summary and Assessment Form of Environmental Factors* for each department, including the Finance Department, the General Office, the Technology Research and Development Department and the Industrial Catalyst Business Department. In 2023, we have engaged a third-party testing organization to conduct tests on the Group's air emissions, wastewater discharge and noise level, the results of which indicated that all aspects of the emissions had met the standards. The Group is committed to effectively controlling possible adverse impacts on the environment arising from its operations, while minimizing the consumption of the environment and natural resources, and proactively assuming its own environmental responsibilities, so as to consistently contribute to the sustainable development in the future.

3.1.1. Air Pollutants and GHG Emissions

The air pollutants generated by the Group mainly come from particulate matters, sulphur dioxide and nitrogen oxides generated from the product manufacturing processes, including the blending process, the industrial plate drying process, the diesel engine drying and burning process, as well as the industrial honeycomb aging and burning process. Therefore, we have proactively formulated relevant internal policies and targets, and are committed to reducing the emission of air pollutants through the use of emission control facilities such as bag-type dust remover, scrubbers and so on.

The Group implements the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Regulations of Hebei Province on the Prevention and Control of Air Pollution*, the *Technical Guidelines for the Formulation of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather (Revision 2020) by the Ministry of Ecology and Environment*, *the Technical Guidelines for Emergency Emission Reduction for Eight Industries in Heavy Pollution Weather in Hebei Province,* the *Guiding Opinions on Differentiated Management of Heavy Pollution Weather in Non-Key Industries in Langfang* and other laws, regulations and regulatory documents. The Group developed the *Operational Plan for Emergency Response in Heavy Pollution Weather*, in which the Group has improved and supplemented the details of the responsibilities of the organization and institutions, the identification of emission nodes and the contingency mitigation measures under different alert levels in the current year. We will continue to build up our air pollution emergency protection system and enhance our ability to respond to heavy polluted weather, so as to ensure that during heavy polluted weather, we can activate various emergency measures in a fast, efficient and orderly manner, so as to minimize the level of air pollution and safeguard the health of the public.

At the same time, we are equally concerned about GHG emissions from our operations. We are implementing measures and continuously optimizing them in accordance with the emission targets and reduction strategies we have set. Beijing Denox's GHG emissions mainly consist of electricity consumption in the office and fuel combustion in vehicles, while Gu'an Denox's main GHG emissions come from natural gas combustion in production facilities. To this end, we continued to implement emission reduction measures during the Reporting Period, including enhancing employees' awareness of low-carbon travel and environmental protection, such as calling on employees to take public transportation to and from work, encouraging them to participate in tree-planting activities, and holding internal and external meetings online to minimize business travel; and strengthening the management of energy use, such as cutting off power outside office hours to reduce unnecessary energy waste, implementing energy-saving modifications to the lighting system of the factory, and adopting more electric burners to reduce energy consumption per unit of product.

The Group has developed a number of emission reduction targets based on its business characteristics, practices of peer enterprises and industry development trends. During the Reporting Period, we have achieved the milestones set for the previous year in respect of vehicle emissions, production process emissions and factory greening. Relevant actions implemented and performances include, but are not limited to, revising the Company's *Vehicle Management System* and encouraging the use of public transportation; successfully improving the burning process, which has significantly reduced electricity consumption by more than 19%; replacing and adopting LED or energy-saving lighting systems in the factory; maintaining the current greening rate, with a greening area of approximately 15 square meters, etc. In addition, we will continue to upgrade and phase out the production equipment in our factory to electric ones, and formulate maintenance and replacement plans accordingly, so as to lay a solid foundation for the Group's green and low-carbon transformation in the future.

Case Study: Exhaust treatment facilities for honeycomb products in Gu'an Denox's factory

In the manufacturing process of denitrification agent, a small amount of dust will be generated in the mixing and drying process, while dust, sulfur dioxide and nitrogen oxides will be generated in the aging and burning process. The exhaust outlets of all production plants of Gu'an Denox are equipped with exhaust treatment facilities such as bag-type dust remover and scrubbers to ensure our emissions meets the requirements of *Integrated Emission Standard of Air Pollutants (GB 16297-1996) or Emission standard of air pollutants for industrial kiln and furnace* (DB13/1640-2012). Direct exhaust emissions without treatment is strictly prohibited.

3.1.2. Wastewater Discharge

The Group's major sources of wastewater are industrial wastewater from production plants and domestic sewage from offices. Among them, domestic sewage generated from daily office work is discharged from the sewage system of the building to the municipal pipeline for integrated treatment.

Gu'an Denox has established a comprehensive sewage treatment facility in the production plants to treat wastewater discharged during the production process, ensuring that the wastewater discharged meets the *Integrated Wastewater Discharge Standard (GB 8978-1996)* and the sewage treatment and collection standard of Gu'an Lvyuan District. Wastewater from production is discharged to the sewage treatment plant through urban pipelines after pre-treatment by the sewage treatment facilities in the factory. The Group regularly engages third-party organizations to conduct tests on its wastewater to ensure that it meets the discharge standards.

During the Reporting Period, the Group discharged 1,072 tonnes of sewage which is 201[1] tonnes more than that in the year 2022.

3.1.3. Waste Handling

The Group is committed to strengthening the management of waste. All of our waste disposals are handled in strict accordance with relevant national laws and regulations such as the *Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB 18599-2020)* and the *Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023)*, including packaging, storage, landfill disposal and other aspects. During the Reporting Period, The Group has amended the *Waste Management Procedures* and the *Denox Hazardous Waste Management System* in line with latest policy change, which further clarified the requirements for the internal management of various types of hazardous wastes, the establishment of records and the requirements for reporting of accidents, including the responsibilities of each staff member in the event of relevant accidents, as well as response measures, etc.

Waste hydraulic oil, oil cotton wool, cutting fluid and paint containers generated during production processes are the Group's major hazardous wastes, as well as sludge generated from sewage treatment; waste batteries, ink cartridges and electronic products generated from daily office operations. We have set up dedicated waste collection and storage areas with clear labels and records, and designated specialists to inspect and manage the waste to eliminate potential mixing of hazardous wastes with other wastes. During the Reporting Period, the waste cutting fluids generated were recorded in accordance with the requirements of the relevant information on their transfer, such as waste characteristics, transportation and acceptance information, etc.. We ensure that the hazardous waste was entrusted to a third-party treatment party with qualifications for integrated treatment and safe disposal, in order to achieve a 100% safe disposal rate for the wastes.

1 The amount of sewage discharged in the year 2022 is confirmed and revised to 871 tonnes.

In respect of non-hazardous wastes, the Group has implemented waste sorting and centralized storage for dust and chips generated from the production process, food waste and domestic waste generated from daily operations, etc., which are eventually handed over to local property companies for disposal. We are committed to further minimizing non-hazardous waste generation. As such, we have set up dedicated waste paper storage areas in our office areas to encourage our staff to reduce the use of paper and at the same time make secondary use of waste paper, such as double-sided printing or other effective reusage, and to raise their awareness of waste recycling and utilization.

Currently, the Group has set various targets for waste reduction and will continue to optimize the targets based on the implementation of the measures. In order to better achieve our waste reduction targets, we have actively sought measures to recycle and reuse waste, in the hope of maximizing the use of waste generated in the course of our daily production and operation, and to minimize the wastage of resources. We continue to promote the Clean Plate Campaign, discourage waste of food in the canteen; cease to provide disposable tableware, encourage staffs to bring their own cutlery; and conduct promotion and training on waste segregation. At the mean time, the Group has implemented a paperless office by promoting online electronic platform for internal information sharing, encouraging staffs to print on both sides of paper and purchasing office supplies on demand.

Case Study: Waste cutting fluid storage facility in Gu'an Denox

In order to ensure that the disposal of hazardous waste is in compliance with laws and regulations and to minimize the possibility of incidence, the Group has set up a dedicated storage area for waste cutting fluid in Gu'an Denox, which is equipped with fire-extinguishing equipment and distinct signs for the management of various types of hazardous waste generated.

Case Study: Waste sorting area in Beijing Denox

In order to enhance the utilization of waste resources, Beijing Denox has set up eye-catching waste sorting bins, which are classified into hazardous wastes, recyclables and other wastes. Cocurrently, the Group conducted promotion and training on waste sorting. After the Group's training and emphasis, employees were able to conduct waste sorting voluntarily. These measures helped to reduce wastes and increase the reuse rate, thus contributing positively to environmental protection.

3.1.4. Noise Control

The Group's major source of noise arises from the operation of the production facilities in Gu'an Denox. In this regard, the Group has formulated the *Control Procedure of Noise* to strengthen noise management and strive to minimize noise pollution. In addition, we have taken the following measures to minimize the generation and transmission of noise in our production facilities:

The Group conducts regular inspections on the implementation of noise prevention and control, carries out regular monitoring of the noise generated in its plants to ensure that the noise generated in the course of its daily operation and production complies with the legal requirements. These measures help to safeguard the quality of the working environment, minimize the disturbance to the surrounding environment and residents, and promote the harmonious development of the Group and the society.

Noise Management

- Measure the noise level when installing new equipment, and adopt adequate noise reduction measures for equipment that does not meet the standard
- Develop operation procedures to prevent noise generated from improper operation
- Regularly repair and maintain the equipment to ensure that the equipment operates normally, thus reducing operating noise

3.1.5. Climate Change

With the gradual tightening of international requirements on climate-related disclosure, various regions are considering revising their reporting guidelines and requirements. In order to proactively respond to Hong Kong and national carbon peaking and carbon neutrality policies and lay the foundation for our future climate-related work, we initiated the identification and assessment of climate-related risks during the Reporting Period, formulated the Group's climate risk list for the year 2023, and assessed the identified climate-related risks through the form of surveying.

We selected a combination of "Brown Scenarios" recommended by HKEX, and established the Group's climate risk list based on the Group's existing internal measures, policy factors in the value chain and regions of operation, as well as the risk factors recommended by Task Force on Climate-Related Financial Disclosures (TCFD), and also analyzed the disclosure situation in the industry and the potential impacts of the various types of risks on the Group's operations, finances and other aspects. By inviting all departments of the Group to participate in a questionnaire survey and score each risk in terms of "impact" and "likelihood", we identified and defined risks with a "medium" level of impact as climate risks that are material to the Group.

In order to cope with the potential impact of climate change, we have gradually implemented relevant work and measures, such as the formulation of the *Rainy Season Flood Control Emergency Plan*, to ensure that the Company can maximize the avoidance or mitigation of losses caused by accidents, and to ensure the safety of the Company's personnel and property in the event of an emergency during the rainy season. In addition, the Group has gradually strengthened its internal environmental management measures, to reduce its own emissions and to increase energy efficiency for production equipment to respond to the policy and market demand arising from climate change.

The following table summarizes the material climate risks identified during the year and the current management status of the Group. In the future, we will further improve and promote our work relating to climate change, formulate mitigation plans for risks which we have not yet formulated relevant countermeasures, taking into account the actual situation within the Group, proactively participate in combating climate change.

Climate Risk Category	Potential Climate Risks	Impact Level	Risk Description	Current Management Status
Policy & Legal	More stringent regulations on existing products and services	High	Impairment and early retirement of existing assets due to policy changes; or in response to regulatory requirements; the existing business needs to be further tilted towards low-carbon industries, resulting in an increase in the operating costs of the enterprise, e.g., in 2022, the National Development and Reform Commission (NDRC) and other departments published the "Implementation Plan for Promoting Green Consumption", which promotes the supply and consumption of green and low-carbon products	• Improve emission reduction technologies on denitrification assist in reducing emissions from key polluting industries, implement environmental protection measures and enhance environmental management
	More stringent emission disclosure requirements	High	Mainland China and Hong Kong governments are actively taking measures to achieve carbon neutrality, and enterprises need to strengthen their GHG emissions management else facing the risk of regulatory violations	• Reduce GHG emissions from vehicles; Revise the Group's *Vehicle Management System* on August 23, 2023

Climate Risk Category	Potential Climate Risks	Impact Level	Risk Description	Current Management Status
Accute Physical	Extreme weather events	Medium	Natural disasters (e.g., floods, typhoons, etc.) and other events that cause: damage to operating sites and assets of the Group and equipment supplier, as well as threats to the personal safety of employees, affecting the normal operation of the business and adversely affecting the Group	• Gu'an Denox has formulated the *Rainy Season Flood Control Emergency Plan* It ensures that the Company can quickly and effectively carry out response actions in case of emergency during the rainy season, avoid and minimize losses caused by flood and drainage, ensure the safety of personnel and properties, and guarantee ordered production to satisfy the requirements of the customers
Policy & Legal	Pricing of GHG emissions	Medium	The Government has introduced a number of levies, including carbon tax, carbon emission permits, fuel taxes, etc. The carbon pricing system may affect the chemicals market, resulting in higher costs of raw materials or disruption of the supply chain or shortage of supply	• No countermeasures have been set up at the moment

Climate Risk Category	Potential Climate Risks	Impact Level	Risk Description	Current Management Status
Chronic Physical	Adverse impacts of long-term global climate pattern changes	Medium	Long-term deteriorating weather patterns have an economic impact on the regions in which the Company operates and, in general, changes in weather patterns can increase the cost of capital, operating costs, human resources costs, insurance premium costs, and the potential for reduced availability of asset insurance in areas of high natural disaster occurrence	• No countermeasures have been set up at the moment
Policy & Legal	Change in customer demand due to more stringent regulatory requirements	Medium	Due to the energy transformation policy, the amount of coal-fired units in the thermal power industry will be reduced in the future, which will affect the sales market space of the Company's products; for example, the *14th Five-year Plan for Renewable Energy Development* requires that national renewable energy account for approximately 70% of new installed power generation capacity, which means the number of coal-fired generators will be reduced, and the market space for the sale of the Company's products will be reduced	• Keeping up with the latest environmental protection policy and market demand, enriching product types, and devoting to the research and development of denitrification catalysts and technological transition work • Strengthen the quality control and improve the quality of products.

Climate Risk Category	Potential Climate Risks	Impact Level	Risk Description	Current Management Status
Technology	Replacement of existing products and services with low-carbon solutions	Medium	Technological improvements or innovations that support the transition to an energy-efficient, low-carbon economy may pose risks to the Company, such as research and development expenditures for new technologies, new businesses affecting the needs of existing businesses, security concerns and increased maintenance costs associated with the adoption of new technologies and processes, etc.	• Use of discarded wooden pallets to replace wood cubes for shipment • Conduct annual assessment of suppliers and establish a list of qualified suppliers to ensure that products provided by suppliers meet quality, environmental and safety requirements

Climate Risk Category	Potential Climate Risks	Impact Level	Risk Description	Current Management Status
	Expenditure for Low-carbon technology transition	Medium	Replacement of traditional energy/energy-consuming and outdated equipment with new energy/energy-saving equipment, resulting in early retirement of existing equipment and higher operating costs	• Enhance energy efficiency: Assign the Equipment Management Department to formulate a maintenance plan for regular maintenance of energy-consuming equipment, and subject the electronic equipment in the factory to regular maintenance and upgrading to optimize energy efficiency • Increase the adoption of low-energy-consuming equipment: replace and phase out high-energy-consuming equipment, and establish equipment replacement schedules, etc. • Improve energy efficiency: to reduce GHG emissions in the production process

3.2. Resource Utilization

3.2.1. Energy and Water Consumption

The Group's energy consumption is mainly purchased electricity and natural gas, and its water consumption is mainly derived from the supply of fresh water from municipal water plants. In order to minimize resource depletion and to improve and implement the Group's energy and water conservation measures, we have formulated the *Energy Conservation and Consumption Reduction Management Procedures* which requires the Equipment Management Department to keep regular records of electricity, natural gas and water consumption, formulate an annual energy consumption plan in conjunction with the annual product output, and to delegate it to the responsible departments for implementation and assessment of the monthly completion status.

During the Reporting Period, the Group's energy-saving and water-saving measures include:

Energy Conservation

- Develop energy saving and management plan (e.g., air conditioning at 26 degrees Celsius, setting the on/off time for lighting equipment) to prevent waste
- Optimize energy efficiency of equipment by developing a maintenance program for regular equipment overhauls
- Establish replacement schedules for energy-intensive equipment and select energy-saving products for new equipment
- LED and energy-saving lighting are used throughout the factory to reduce power consumption
- Improved burning process to enhance energy efficiency

Water Conservation

- Posting water-saving signs and slogans
- Regularly inspecting the factory's pipeline system
- Promptly repairing any leaks, drips, or other issues found during inspections
- Recycling of wastewater from water production facilities for use in scrubbers and floor cleaning

With the implementation and enforcement of the above measures, the Group did not have any abnormal use of energy and water resources during the Reporting Period. In addition, Gu'an Denox has achieved a 2% reduction in energy consumption per unit of product. The Group will continue to explore new ways of energy and water conservation, set targets to improve energy efficiency and reduce water usage as much as possible, promote the implementation of relevant measures, continue to improve our environmental data management system, and timely statistic and report our achievements to the public.

Case Study: Gu'an Denox improves its burning process

(before)

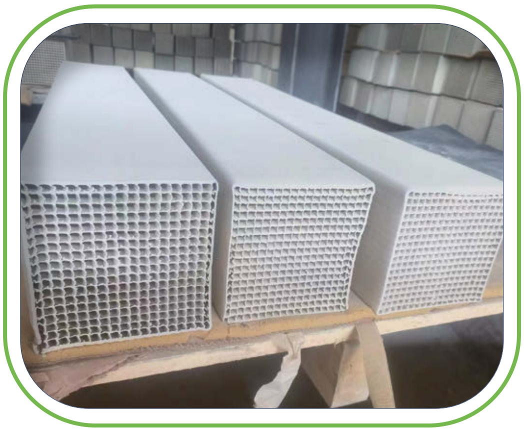
(after)

Changing the original horizontal burning form to vertical burning greatly improves the energy efficiency of the process. According to internal data, the improved method can save up to 50,000 kWh of electricity consumption per year, which can save about RMB40,000 in electricity expenses (estimated at RMB0.8 per kWh)

3.2.2. Raw Materials and Other Resource Consumption

Adhering to the principle of "maximizing the use of resources and minimizing wastage", the Group has always been committed to reducing the use of raw materials and packaging materials in the production process.. During the Reporting Period, Gu'an Denox continued to adopt the measure of replacing steel straps with honeycomb packaging, which is expected to save 6 tons of steel consumption and approximately RMB40,000 of expenses per year, as well as reducing customers' disposal expenses. In terms of raw material consumption, we have further developed thin-walled products, resulting in a significant reduction in the unit weight of the product, which in turn reduces the consumption of raw materials. These measures not only help minimize waste, but also help improve production efficiency and save costs, demonstrating the Group's positive contribution to sustainable development.

Case Study: Development of thin-walled products



During the Reporting Period, the Group successfully developed thin-walled products, which significantly reduced the use of various raw materials while ensuring the performance of the products themselves. According to internal data, the weight of 22-hole product per cubic meter was reduced from 410 kg to 360 kg.

3.3. Environmental Data

The main products manufactured by the Group include plate-type catalysts, honeycomb catalysts and vehicle catalysts. As the production volume of each product varies from year to year, it results in a significant change in some environmental data. The following data are the emissions and consumption of resources in the past three reporting periods:

3.3.1. Emissions Data

		Data[2, 3]		
Emissions	**Unit**	**2023**	**2022**	**2021**
Air Emissions[4]				
Sulphur dioxide	Tonnes	0.025	0.019	0.017
Nitrogen oxides	Tonnes	0.163	0.115	0.122
Carbon monoxide	Tonnes	0.174	0.139	0.143
Total particulate matter[5]	Tonnes	0.025	0.014	0.015

2 The scope of data includes the office in Beijing and production plants in Gu'an.

3 The intensity of environmental data of the Group is calculated based on the amount of catalysts produced in m^3. The amount of catalysts produced in 2023 was 13,521.394 m^3. The calculation of environmental data intensity included plate-type, honeycomb, and vehicle catalysts.

4 The scope of air emissions includes those emitted from the fuel use of stationary sources, domestic cooking, vehicles and machineries The calculation method for stationary source emissions refers to the Environmental Impact Report for Gu'an Denox's Construction Projects, and the calculation method for domestic source emissions refers to the *Emission Source Statistics Survey Emission Accounting Method* issued by the Ministry of Ecology and Environment of the People's Republic of China in 2021. The calculation method and related emission factors for vehicle emissions are based on the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* issued by the Ministry of Ecology and Environment of the People's Republic of China. The calculation method and related emission factors for atmospheric pollutant emissions from mechanical sources in the Group refer to the *Non- Road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* issued by the Ministry of Ecology and Environment of the People's Republic of China.

5 The emissions from the production process are estimated based on the 99% dust removal efficiency of the bag-type dust removers and the amount of dust collected.

Emissions	Unit	Data[2, 3] 2023	2022	2021
GHG Emissions				
Total GHG emissions	Tonnes CO_2 equivalent	5,258.973	4,156.536	3,733.712
Intensity of total GHG emissions	Tonnes CO_2 equivalent per m^3 of production	0.389	0.379	0.443
Scope 1: direct emissions[6]	Tonnes CO_2 equivalent	1,167.405	938.541	837.183
Intensity of Scope 1 emissions	Tonnes CO_2 equivalent per m^3 of production	0.086	0.086	0.099
Scope 2: indirect emissions related to energy[7]	Tonnes CO_2 equivalent	4,001.451	3,205.794	2,882.692
Intensity of Scope 2 emissions	Tonnes CO_2 equivalent per m^3 of production	0.296	0.292	0.342
Scope 3: others indirect emissions[8]	Tonnes CO_2 equivalent	34.136	12.201	13.837
Intensity of Scope 3 emissions	Tonnes CO_2 equivalent per m^3 of production	0.003	0.001	0.002

6 The scope of scope 1 GHG emissions includes the fuel use of stationary sources and cooking, vehicles and machineries, the use of refrigerants and as well as the reduction from planted trees. The GHG emissions from stationary sources are calculated by referencing the calculation methods and emission factors in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China. The GHG emissions from vehicles are calculated by referencing the calculation methods and emissions factors in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China. The GHG emissions from machineries are calculated by referencing the calculation methods and emissions factors in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China and the *Greenhouse Gas Inventory Guidance – Direct Emissions from Mobile Combustion Sources* issued by the United States Environmental Protection Agency. The GHG emissions from the use of refrigerants are calculated by referencing the calculation methods and emissions factors in the *Fifth Assessment Report* issued by the IPCC. The Group has two trees in total. The GHG emissions reduction from planted trees is calculated by referencing the calculation methods and emissions factors in the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong* published by the Electrical and Mechanical Services Department and Environmental Protection Department of Hong Kong.

7 The scope of scope 2 GHG emissions includes the purchased electricity. Since the average emission factor for the national grid of 2023 is not yet available, the method and relevant emission factors for calculating greenhouse gas emissions from electricity use in 2022 and 2023 are based on the 2022 average national emission factor of 0.5703t CO_2/MWh specified in the *Notice on the Management of Greenhouse Gas Emission Reporting in the Power Generation Industry for 2023-2025* published by the Ministry of Ecology and Environment. The method and relevant emission factors for calculating greenhouse gas emissions from electricity use in 2021 are based on the revised edition of the *Guidelines for Accounting Methods and Reporting of Corporate Greenhouse Gas Emissions for Power Generation Facilities (2021 Revised Edition) (Draft for Comment))* published by the Ministry of Ecology and Environment.

8 The scope of scope 3 GHG emissions includes business air travel by employees and were calculated by referencing the calculation methods and coefficients in the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

Emissions	Unit	Data[2, 3] 2023	2022	2021
Non-hazardous Wastes Produced				
Total non-hazardous wastes	Tonnes	12.584	14.623	15.280
Intensity of non-hazardous wastes	Tonnes per m^3 of production	0.001	0.001	0.002
– Domestic wastes and waste products	Tonnes	10.223	9.140	7.936
– Food wastes	Tonnes	\	2.200	4.416
– Production wastes	Tonnes	0.300	1.080	\
– Paper	Tonnes	0.111	0.103	0.168
– Dust	Tonnes	1.950	2.100	1.800
Hazardous Wastes Produced				
Total hazardous wastes (except ink cartridges and batteries)	Tonnes	3.000	3.150	3.110
Intensity of total hazardous wastes (except ink cartridges and batteries)	Tonnes per m^3 of production	2.219×10^{-4}	2.872×10^{-4}	3.686×10^{-4}
– Waste hydraulic oil	Tonnes	\	0.450	0.710
– Waste paint containers	Tonnes	\	\	\
– Waste sludge	Tonnes	3.000	2.700	2.400
– Ink cartridges	No.	4	1	2
– Batteries	No.	8	\	\

3.3.2. Resource Consumption Data

Resources	Unit	Consumption 2023	2022	2021
Energy Consumption[9]				
Total energy consumption	MWh	12,025.303	9,491.956	8,360.469
Intensity of total energy consumption	MWh per m^3 of production	0.889	0.865	0.991
Indirect Energy Consumption				
Electricity consumption	MWh	7,016.397	5,621.242	4,933.974
Intensity of electricity consumption	MWh per m^3 of production	0.519	0.513	0.585
Direct Energy Consumption				
Natural gas consumption	10 thousand m^3	53.992	41.753	36.851
Intensity of natural gas consumption	10 thousand m^3 per m^3 of production	0.004	0.004	0.004
Gasoline consumption	Litre	20,265.961	15,919.630	14,328.000
Intensity of gasoline consumption	Litre per m^3 of production	1.499	1.451	1.698
Diesel consumption	Litre	3,623.000	2,240.000	2,827.500
Intensity of diesel consumption	Litre per m^3 of production	0.268	0.204	0.335
Water Consumption				
Municipal water supply	Tonnes	22,813.000	20,008.000	17,191.000
Intensity of municipal water supply	Tonnes per m^3 of production	1.687	1.824	2.038

9 The following direct energy consumption were converted to MWh in units, which were calculated by referencing the calculation methods and coefficients in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China, the *Gasoline for Motor Vehicles* (GB 17930-2016) and *the Automobile Diesel Fuels* (GB19147-2016) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardisation Administration of the People's Republic of China.

Resources	Unit	Consumption 2023	2022	2021
Use of Packaging Materials[10]				
Wood	Tonnes	74.904	56.936	25.980
Plastic	Tonnes	3.745	2.847	1.560
Paper	Tonnes	0.375	0.285	0.220
Metal	Tonnes	936.300	711.700	351.600
Total consumption of packaging materials	Tonnes	1,015.324	771.767	379.361
Intensity of total consumption of packaging materials	Tonnes per m^3 of production	0.075	0.070	0.045

4. People-oriented

In order to establish a good corporate culture and working atmosphere, promote the personal growth and career development of our employees, and in turn promote the long-term development of the Group, we have always adhered to the belief of "employees are the most important and valuable part of the enterprise", and has insisted on the principle that employees and the enterprise should progress and develop together in the course of operation. We have always insisted on providing a comfortable and favourable working environment for our employees and ensuring their physical and mental health. In addition, we actively encourage our employees to upgrade their professional knowledge and skills and provide a wide range of staff training programmes. We care for and satisfy the daily needs of our employees to enhance their sense of responsibility and belonging, and at the same time, build an efficient, excellent and loyal team.

4.1. Employees' Rights and Interests

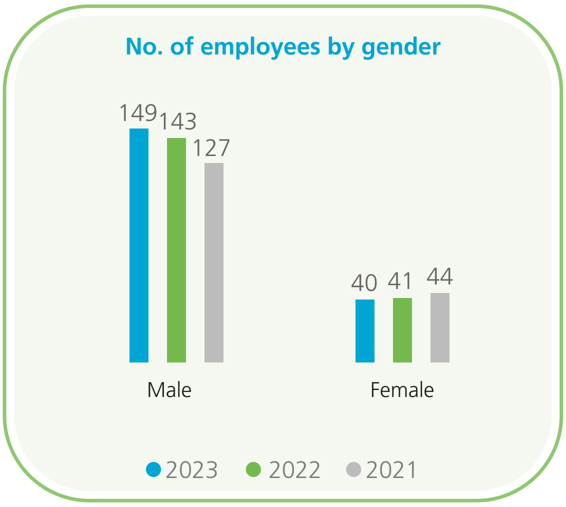
The Group strictly complies with the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare and the prevention of child or forced labor that have a significant impact on the Group, including but not limited to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China,* the *Social Insurance Law of the People's Republic of China Revised,* the *Law of the People's Republic of China on the Protection of Minors,* the *Regulation on Paid Annual Leave for Employees*, and the *Prohibition of Using Child Labour*. The Group also provides legal and reasonable remuneration and benefits to its employees. During the Reporting Period, the Group did not violate any laws and regulations related to employment and labor standards that have a significant impact on the Group. The Group has also formulated policies and management systems related to employment and labor standards to protect the rights and interests of employees.

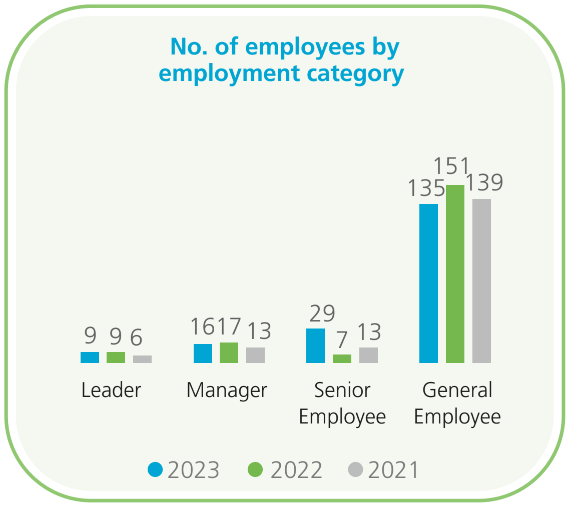
10 Due to the increased production of honeycomb catalysts, packaging material usage was increased in 2023.

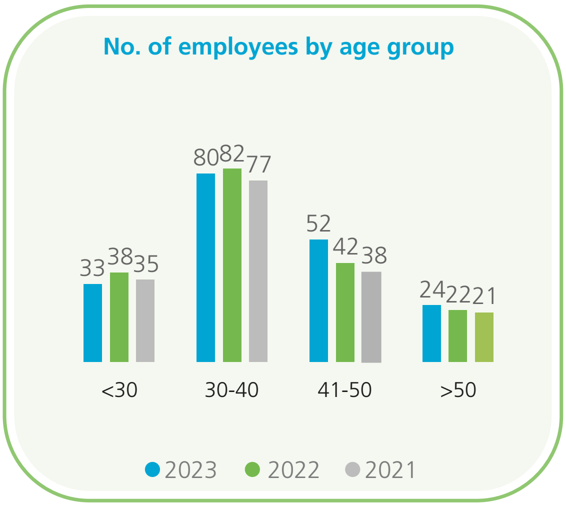
Recruitment and Dismissal	The Group has formulated the *Employee Recruitment System*, and the *Management Approach for Employee Selection* to regulate the terms of recruitment of employees and formulate corresponding procedures to ensure the fairness, justice, and openness of the recruitment process. Upon employee's employment, an employment contract will be signed with the employee in accordance with the law, covering matters such as employee's remuneration, benefits, health and safety, confidentiality obligations and grounds for termination. The Group has also formulated regulations on resignation and dismissal of employees to regulate the notice period of resignation and dismissal and salary compensation, to fully protect the rights and interests of employees and the Company.
Compensation and Promotion	To improve the work efficiency of employees, the Group has formulated the *Management Approach for Remuneration System* and *the Explanation of the optimization of the company's remuneration system* to finalize the rules relating to remuneration and promotion, reflecting the principle of fair and equitable remuneration distribution. The remuneration package of the employees includes salary, pension, bonus, medical insurance scheme and social insurance, etc. In addition, the Group will also adjust the remuneration and promotion opportunities according to the work efficiency, experience, and professional qualifications of employees.
Working Hours and Holidays	The Group has formulated the *Work Attendance Regulation* to ensure that employees are entitled to paid holidays and other statutory public holidays in accordance with the law. In accordance with the *Regulations of Hebei Province on Population and Family Planning,* marriage leave, maternity leave, paternity leave and funeral leave are provided to eligible employees. At the same time, the Group's production plants adopt a shift system, which clearly stipulates that employees work eight hours a day to avoid excessive working hours.

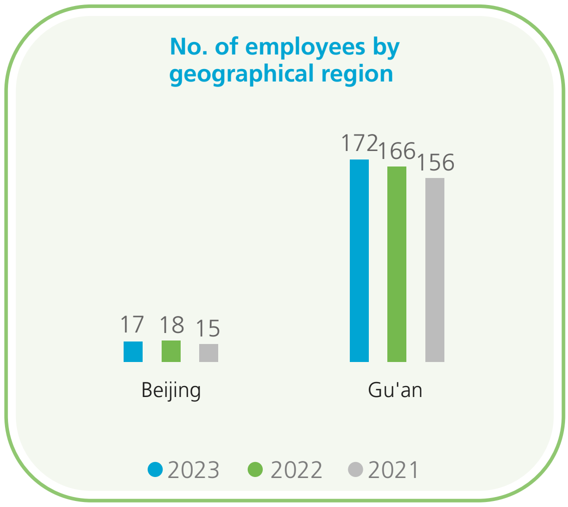
Fair Opportunity and Diversity	The Group advocates an equal, diverse, and inclusive employment policy. In terms of recruitment, remuneration, promotion and training, employees' personal ability and work performance are first considered. It is expressly forbidden to discriminate against employees based on race, nationality, age, gender, and other factors. In addition, the Group has formulated the *Staff Rotation Management System* to ensure that there is a system for the management of job rotation, and to further stimulate the vitality of the staff and to cultivate a team of high-quality and multi-talents.
Prohibit Child Labor	The Group strictly abides by the Provisions on the *Prohibition of Using Child Labor* and rejects the employment of persons under the age of 16. In this regard. The Group requires all employees to provide valid identification documents to prove that they meet the statutory age requirements before taking up their posts. If any employment of minors is found, the Group will immediately terminate the employment relationship with them. During the Reporting Period, there were no cases of use of child labor found within the Group.
Prohibit Forced Labor	The Group strictly prohibits any form of forced labor and eliminates the use of debt labor and prison labor. The Group does not engage in any cooperation or transactions with units or organizations that use prison labor. During recruitment, the Group introduces the basic information, relevant policies, and management regulations of the company to job applicants, especially working hours and welfare benefits, to ensure that the applicants apply voluntarily. The Group signs labor contracts with applicants in accordance with the *Labor Contract Law of the People's Republic of China*, and employees have the right to resign or terminate labor contracts at any time. During the Reporting Period, the Group did not engage in any forced labor practices.

As of the end of the Reporting Period, the Group has 189 employees. All of them are full-time employees[11].









11 The number of employees does not include the number of non-executive directors and independent non-executive directors in the Board of Directors.

Employee Turnover Rate[12]	2023	2022	2021
Employee turnover rate	23%	15%	28%
By gender			
Male	25%	15%	29%
Female	15%	15%	25%
By age group			
<30	72%	18%	63%
30-40	16%	16%	21%
41-50	8%	10%	18%
>50	13%	14%	14%
By geographical region			
Beijing	6%	6%	20%
Gu'an	24%	16%	29%

4.2. Caring for Employees

The Group is committed to establishing a mutually dependent employment relationship, establishing a good communication model with employees, and listening to employees' voices and demands in a timely manner. The Group has established the *Employee Representative Election Procedure* to enable all employees to select department-based employee representatives through voting, which serves as a medium to collect employees' opinions and suggestions and promote the communication between the Company and employees. At the same time, staff representatives meet regularly to discuss the Group's performance in relation to employee employment, including but not limited to remuneration and benefits, working hours, and the existence of discrimination, and to feedback to management the conclusions and comments from these meetings. In response to employees' opinions and suggestions, the Group has established the *Management Procedures of Employee's Opinions, Suggestions, Complaints and Feedback* to standardize the procedures for handling employees' opinions to ensure that the management can respond and handle relevant opinions in a timely manner.

Through effective communication and care channels above, the Group has gained a better understanding of our employees' needs and has taken corresponding measures and invested relevant resources to meet their needs.

12 Staff turnover rate is calculated by dividing the number of staffs lost in that category during the Reporting Period by the total number of staffs in that category as at the end of the Reporting Period.

During the reporting period, the Group provided benefits to employees during festive holidays and organized staff activities, such as the Chinese New Year gathering, the Dragon Boat Festival dumpling making activity, staff commendation meeting and welfare distribution, etc., to enhance mutual trust among employees and a sense of belonging among employees towards the Group.

In addition, the Group actively organizes a variety of staff trips and sports activities. Gu'an Denox has also equipped fitness facilities in the activity room on the third floor of the company to provide a fitness centre for its staffs so that they can relax and relieve their stress while at work, and at the same time satisfying their recreational and sports needs, thereby enhancing their work efficiency.

The provision of these activities and facilities not only contributes to the health and quality of life of employees, but also promotes communication and interaction within the Company, further fostering a harmonious working environment and team cohesion.

Chinese New Year gathering

Staff commendation meeting and welfare distribution

Dragon Boat Festival dumpling making activity

4.3. Health and Safety

Upholding the principle of "safety comes first", the Group regards the protection of employees' health and personal safety as the most important prerequisite and is committed to providing employees with a safe working and living environment. The Group strictly complies with the laws and regulations that relating to protecting employees from occupational hazards and that have a significant impact on the Group, including but not limited to the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases,* the *Administrative Measures for Diagnosis and Identification of Occupational Diseases* and the *Provisions on the Administration of Occupational Health.* During the Reporting Period, the Group did not receive any report of violation of the above-mentioned laws and regulations.

Moreover, the Group has formulated a stringent *Occupational Health Management Policy* which identifies occupational disease hazards and implements corresponding preventive measures to ensure the health of our employees. We have spared no effort in safeguarding and enhancing the safety of the working environment of the Group's employees. This includes continuous attention to and improvement of the relevant policies and measures on occupational health and safety, the provision of a safe and secure workplace for our employees, the consolidation of the Group's corporate safety culture, and the reinforcement of the unrelenting protection of the health of our employees.

4.3.1. Safe Production

The Group places great emphasis on ensuring the safety during our production processes and exercises strict control over them by establishing a sound safety management system. We strictly comply with relevant laws and regulations, such as the *Work Safety Law of the People's Republic of China* that are essential to ensuring a safe working environment and have significant impacts on the Group. During the Reporting Period, the Company did not violate any of the laws and regulations.

In order to implement the relevant provisions of the *Work Safety Law of the People's Republic of China*, the *Provisional Provisions on the Implementation of the Main Responsibility for Safety Production of Production and Operation Units in Hebei Province* and the *Regulations on Safety Production in Hebei Province*, the Group has set up a leading team for safety production, and has been arranging the safety production work of the unit in accordance with the requirements, promoting the laws and regulations related to safety production, establishing and improving the rules and systems for safety production, supervising and managing the Group's work on safety production and the implementation of the *Safety Production Liability System*. At the same time, we have set up a separate production safety management department as a dedicated organization to implement and be responsible for the revision of the unit's contingency plan for safety accidents, education, training and alerts in accordance with the requirements of the *Environmental, Occupational Health and Safety Operation Control Procedures* in order to prevent the occurrence of various types of safety accidents and to comprehensively manage the Group's work in relation to production safety. During the Reporting Period, we conducted a total of four safety hazard investigation to notify and rectify non-compliant or unqualified safety matters in our plants.

The Group also developed the *Unacceptable Risk List*, the *Hazard Identification and Evaluation Form* and the *Hazard Identification and Risk Analysis Statistics Form* to identify potential risks of different operational activities and take corresponding measures to ensure employee safety.

The Group equip all our work sites with machines and equipment that ensure the safe operation of our work, including ensuring adequate ventilation and preventing harmful gas leaks. In our production workshop, Gu'an Denox has equipped safety protection shields, anti-slip hooks on overhead cranes, and ground wire protection measures on overhead cranes to ensure maximum safety during the production process. The Group has also enhanced the safety facilities in the workplace, including safety warning signs, alarm facilities, flushing facilities, emergency evacuation routes, and first aid medicines. We regularly review the facilities in the workplace to ensure that they are ready for use.

The Group always endeavors to enhance the safety awareness of its employees to ensure their safety. The Group promotes safety knowledge through various means, including organizing training on safety knowledge, conducting quizzes and watching warning videos, etc., to help employees learn and master relevant safety knowledge. During the Reporting Period, Gu'an Denox organized a total of seven training sessions on topics related to occupational health and production safety.

Safe Production Training

According to the nature of employees' work, we will distribute corresponding labor protection equipment and strictly require employees to wear labor protection supplies correctly during work. At the same time, we regularly inspect the effectiveness and quality of the protective equipment and collect employees' opinions on related protective equipment. The Group also pays close attention to the health conditions of its employees by organizing regular health checks and supervising the safety and environmental hygiene of the dormitories and factories of its employees in order to maximize the protection of its employees from occupational hazards.

Employee personal safety is guaranteed in the Company's comprehensive safety management. There were no work-related deaths in the past three consecutive reporting periods. During the Reporting Period, there were zero people involved in work-related injuries, and no workdays were lost due to injuries.

4.3.2. Emergency Preparation and Response

The Group has formulated the *Emergency Action Plan*, the *Hidden Danger Investigation and Rectification Form* and the *Fire Drill Plan* to identify and effectively control the potential safety risks in multiple aspects during operation. The Group has formulated corresponding emergency response plans, organized staff to familiarize themselves with various emergency response plans and conducted regular emergency drills of different types and themes such as fire drills and mechanical injury drills including forklifts and cranes to address potential risks in the use of equipment and storage of production materials in the production plants. With regard to office safety, we have formulated the Company's *Emergency Response Plan* in accordance with the office environment, which specifies the response process and handling methods, so as to be prepared for potential safety hazards at any time.

In May, June, July, October and November 2023, Gu'an Denox organized its staff to participate in the limited space emergency response drill, fire emergency response drill, mechanical injury emergency response drill (special equipment) and electric shock emergency response drill, in which the staff learnt the actions they should take when encountering various kinds of emergencies, including alarm response, first aid, evacuation of people and reporting of accidents. They were also familiar with the use and operation of various types of protective equipment, fire-fighting equipment and first aid supplies.

Case Study: Emergency response drill in Gu'an Denox

4.4. Talent Development

The Group always adheres to the principle of closely linking employees' personal development with business needs and strives to build an excellent work team. To enhance employees' business skills and explore their potential, the Company's Human Resources Department attaches great importance to the personal development of employees and has formulated the *2023 Annual Training Plan*. Depending on different target audience, different contents will be covered to facilitate employees to master knowledge, skills, and regulations related to their positions and industries.

The Group has developed a new employee training system and a company training management system. It actively conducts further employee training and assessment to ensure that newly employed employees master the skills required for their positions and perform corresponding duties. Moreover, the Group has a mentor system for one-on-one guidance for new employees, aiming to help new employees quickly master work skills, adapt to the work environment, and integrate into the company's cultural atmosphere.

In addition, in order to achieve the common development of employees and the Company, the Group has formulated the *External Training System of the Company* to encourage employees to participate in external training according to their personal needs and improve their personal work skills by providing incentives. In line with the career development needs of employees, we also provide courses to improve personal work skills, which is conducive to the development of the Group's talents.

During the Reporting Period, the Group provided training to its staff in various aspects such as identification of risks and opportunities, knowledge of denitrification catalysts, product sales, tendering and procurement process and incoming raw materials inspection.

Records of employee training

员工培训记录表

编号：DENOX/JL-012

时间	2023.3.3	培训人	
地点	会议室	培训方式	讲授
培训题目	风险和机遇识别方法要求		

参加培训人员：

管理者代表、部门负责人及主要员工代表（共计 8 人）

培训内容：

1、 管理体系标准 6.1 应对风险和机遇的措施条款知识；

2、 《风险和机遇应对控制程序》文件中关于风险和机遇识别评价的规定；

3、 各部门工作开展过程中涉及的风险和机遇，识别方法、文件化信息制作要求。

考试方式及成绩：

问答、合格

培训效果评价：

通过培训，使参加人员对风险和机遇的相关要求有了更深的了解，培训有效。

评价人：刘连超

编制：王静

员工培训记录

DENOX/JL-012

时间	2023.7.21	培训人	
地点	会议室	培训方式	讲授
培训题目	脱硝催化剂开发专业知识培训		

参加培训人员：

管理者代表、技术研发部经理、员工代表（共计 5 人）

培训内容：

催化反应原理

催化反应原理是NH_3 快速吸附在 V_2O_5 表面的 B 酸活性点，与NO 按照 Eley-Rideal 机理反应，形成 中间产物，分解成 N_2 和 H_2O，在 O_2 的存在下，催化 剂的活性点很快得到恢复，继续下一个循环，其化学 吸附与反应过程反应步骤可分解为：

（1）NH_3 扩散到催化剂表面；（2）NH_3 在 V_2O_5 上发生 化学吸附；（3）NO 扩散到催化剂表面；（4）NO 与吸 附态的NH_3 反应，生成中间产物；（5）中间产物分解 成最终产物 N_2 和 H_2O；（6）N_2 和 H_2O 离开催化剂表 面向外扩散……………………

考试方式及成绩：

问答、合格

培训效果的评价

培训有效，相关人员对公司产品开发和用途内容及要求有了更进一步的理解和掌握，培训方式有效。

评价人：申倩

编制：王静

迪诺斯 Denox Environment

培训记录表

编号：DNS/QR-7.2.1-02

培训时间	2023.3.23	培训地点	一楼会议室
培训部门	采购中心，	主讲人	司振西
培训项目	招标采购制度及流程知识.		
培训内容	1.招标方式 2.招标管理 3.招标范围 4.招标职责 5.开、评标组织及过程方法. 6.定标、及合同签订		
参加人员	孙杰，司振西 高春波 杨[illegible]		
缺席人员	无		
迟到/早退	无		
考核方式	提问☐ 试卷☐ 实操☐ 其他 讨论		
考核成绩	合格☑ 不合格☐ 分数______		
效果评估	（参照培训评估表）满意度______		

迪诺斯 Denox Environment

培训记录表

编号：DNS/QR-7.2.1-02

培训时间	2023.1.10	培训地点	检测中心会议室
培训部门	质量检测部	主讲人	李建鑫
培训项目	《原材料入厂检验标准规范》		
培训内容	此次培训主要从3个方面进行说明： 一、入厂检验流程 二、检验标准规范 三、检验报告 以原材料-钛白粉为例，到货后采购通知取样，质检人员取样并记录样品信息。 检测流程：水份、灰分、PH、粒径、比表面积、检测完毕出示检测报告.		
参加人员	张敏 [illegible] [illegible] 王群 陈小庆、[illegible]		
缺席人员	无		
迟到/早退	无		
考核方式	提问☐ 试卷☑ 实操☐ 其他______		
考核成绩	合格☑ 不合格☐ 分数 93.5		
效果评估	（参照培训评估表）满意度 满意		

	Percentage of Employees Trained[13]	Average Training Hours Completed per Employee[14]
By gender		
Male	78.84%	2.78
Female	21.16%	2.93
By employee category		
Leader	4.76%	5.00
Manager	8.47%	4.06
Senior employee	15.34%	1.28
General employee	71.43%	2.84

5. Quality Comes First

The Group is committed to providing customers with high-quality products and services, and always strives for higher product and service quality to achieve broader social recognition and a better corporate image. We follow and abide by relevant laws and regulations related to product responsibility, such as the *Work Safety Law of the People's Republic of China,* the *Product Quality Law of the People's Republic of China*, the *Regulations on the Responsibility for Quality Control of Industrial Products*, the *Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China* and the *Regulation for the Implementation of the Trademark Law of the People's Republic of China*. During the Reporting Period, the Group did not violate any laws and regulations related to product responsibility that have a significant impact on the Group.

5.1. Product Quality

The Group adheres to the principle that product performance, quality, and safety are of utmost importance, and we have set the target of achieving a 100% passing rate for product quality. In addition, we have developed various quality assurance and testing procedures at every stage of the production process to provide our customers with the highest quality and safest products and services.

The Group has established a scientific and reasonable system and formulated standards for raw materials and finished products inspection, such as the *Technical Specification for Titanium Powder Inspection*, *Technical Specification for Flat-plate Denitrification Catalyst Inspection*, *Technical Specification for Honeycomb Denitrification Catalyst Inspection*, etc., to control the appearance and physicochemical indexes of the products from the factory. We conduct repeated inspections to monitor whether the products meet the process requirements or standards, and established the *Non-Conforming Product Isolation System and Handling Plan* to ensure the quality of each batch.

13 The percentage of employees trained was calculated by dividing the number of trained employees belonging to the specific category by the total number of trained employees.

14 The average training hours received per employee was calculated by dividing total training hours received by employees belonging to the specific category by number of trained employees belonging to the specific category.

Raw material procurement

- The quality control starts with raw materials to ensure that the quality of raw materials meets the standards. The Group has established the *Raw Materials Inspection Guidebook*, which stipulated that inspectors shall conduct inspections on raw materials according to the inspection items and implementation details listed in the *Raw Materials Inspection Guidebook Card*. To enable product quality at source, unqualified materials shall be replaced or returned.

Production Process

- The Group has formulated inspection methods and procedures for every manufacturing and packaging process in the *Production Process Inspection Guidebook* to provide guidance for inspectors to perform checking and examination for semi-finished products and finished products. For non-conforming products that do not meet the quality requirements, we dispose of or reprocess them to ensure that our finished products meet the quality requirements.

Product Delivery

- After product packaging, the Group will take appropriate protective measures to ensure that the products maintain their original quality throughout the delivery and acceptance processes. Meanwhile, we assign designated personnel to provide assistance to our customers, including explaining how to use the products and addressing technical issues, to ensure that our products works normally.

For products that have been delivered or are found to be unqualified after use, the Group will timely negotiate with customers to solve the problem and take serious treatment according to major quality issues. We will analyze the reasons for the non-conformity of products and take corresponding measures to rectify and prevent it. The products will be delivered to customers after passing the Group's quality inspection. During the Reporting Period, the Group did not recall any products.

Certification for environmental management system, occupational health and safety management system and quality management system

CERTIFICATE

BCC

注册号：016ZB23E31618R2S

环境管理体系认证证书

初次发证日期：2017年08月23日/ 再认证日期：2023年08月18日
证书有效期至：2026年08月22日

兹 证 明

北京迪诺斯环保科技有限公司

环境管理体系符合GB/T24001-2016 idt ISO14001:2015 标准,适用于脱硝催化剂的技术开发、销售及售后服务（不含危险化学品及一类易制毒化学品）

新世纪检验认证有限责任公司
总经理：

统一社会信用代码：911101065620545615
注册地址：北京市丰台区南四环西路128号院2号楼12层1506-1室
经营地址：北京市丰台区南四环西路128号院2号楼12层1506-1室

IAF CNAS

CERTIFICATE

BCC

注册号：016ZB23E32285R2M

环境管理体系认证证书

初次发证日期：2017年11月21日/ 再认证日期：2023年11月24日/ 证书有效期至：2026年11月20日
(本次再认证审核日期:2023年11月13日到2023年11月15日，上一认证周期截止日期:2023年11月20日)

兹 证 明

固安迪诺斯环保设备制造有限公司

环境管理体系符合GB/T24001-2016 idt ISO14001:2015 标准,适用于脱硝催化剂的技术开发、生产、销售及售后服务（不含危险化学品及一类易制毒化学品）；资质范围内的环保工程的施工

新世纪检验认证有限责任公司
总经理：

统一社会信用代码：91131022560494627T
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经营地址：河北省廊坊市固安县工业园区南区

IAF CNAS

CERTIFICATE

BCC

注册号：016ZB23S31495R2S

职业健康安全管理体系认证证书

初次发证日期：2017年08月23日/ 再认证日期：2023年08月18日
证书有效期至：2026年08月22日

兹 证 明

北京迪诺斯环保科技有限公司

职业健康安全管理体系符合GB/T 45001-2020 idt ISO 45001:2018标准,适用于脱硝催化剂的技术开发、销售及售后服务（不含危险化学品及一类易制毒化学品）

新世纪检验认证有限责任公司
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注册号：016ZB23S32130R2M

职业健康安全管理体系认证证书

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(本次再认证审核日期:2023年11月13日到2023年11月15日，上一认证周期截止日期:2023年11月20日)

兹 证 明

固安迪诺斯环保设备制造有限公司

职业健康安全管理体系符合GB/T 45001-2020 idt ISO 45001:2018标准,适用于脱硝催化剂的技术开发、生产、销售及售后服务（不含危险化学品及一类易制毒化学品）；资质范围内的环保工程的施工

新世纪检验认证有限责任公司
总经理：

统一社会信用代码：91131022560494627T
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经营地址：河北省廊坊市固安县工业园区南区

IAF CNAS

CERTIFICATE

注册号：016ZB23Q32132R2S

质量管理体系认证证书

初次发证日期：2017年08月23日/ 再认证日期：2023年08月18日
证书有效期至：2026年08月22日

兹 证 明

北京迪诺斯环保科技有限公司

质量管理体系符合GB/T19001-2016 idt ISO9001:2015 标准,适用于脱硝催化剂的技术开发、销售及售后服务（不含危险化学品及一类易制毒化学品）

新世纪检验认证有限责任公司
总经理：

统一社会信用代码：911101065620545615
注册地址：北京市丰台区南四环西路128号院2号楼12层1506-1室
经营地址：北京市丰台区南四环西路128号院2号楼12层1506-1室

CERTIFICATE

注册号：016ZB23Q3J20519R2M

质量管理体系认证证书

初次发证日期：2017年11月21日/ 再认证日期：2023年11月24日/ 证书有效期至：2026年11月20日
(本次再认证审核日期:2023年11月13日到2023年11月15日，上一认证周期截止日期:2023年11月20日)

兹 证 明

固安迪诺斯环保设备制造有限公司

质量管理体系符合 GB/T19001-2016 idt ISO9001:2015标准,适用于脱硝催化剂的技术开发、生产、销售及售后服务（不含危险化学品及一类易制毒化学品）；资质范围内的环保工程的施工；其中环保工程的施工同时符合GB/T50430-2017标准

新世纪检验认证有限责任公司
总经理：

统一社会信用代码：91131022560494627T
注册地址：河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧
经营地址：河北省廊坊市固安县工业园区南区

The Group actively updates and enhances its quality management system. During the Reporting Period, the Group has obtained the certificates of GB/T24001-2016 idt ISO14001:2015 for environmental management system, GB/T45001-2020 idt ISO45001:2018 for occupational health and safety management system and GB/T19001-2016 idt ISO9001:2015 for quality management system. The certification proves that the Group maintains excellent quality in the technology development, sales and after-sales services of denitrification catalysts and the construction of environmental protection projects within the scope of qualification, which gives confidence to our customers.

Certification of quality management system and laboratory accreditation


Certificate of Registration

nqa

兹证明

固安迪诺斯环保设备制造有限公司

河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

(IATF USI: 6KE3PZ)

（其他位置详见附录）

的质量管理体系适用于

催化转化器总成的设计和生产

已经 NQA 根据标准

IATF 16949:2016

审核和注册

Managing Director

NQA Certificate No: T82580

IATF Certificate No: 0445218

First Issue Date: 03 March 2022

Valid Until: 02 March 2025

Version: 2


中国合格评定国家认可委员会

实验室认可证书

（注册号：CNAS L18882）

兹证明：

固安迪诺斯环保设备制造有限公司检测中心

（法人：固安迪诺斯环保设备制造有限公司）

河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧，065500

符合 ISO/IEC 17025：2017《检测和校准实验室能力的通用要求》（CNAS-CL01《检测和校准实验室能力认可准则》）的要求，具备承担本证书附件所列服务能力，予以认可。

获认可的能力范围见标有相同认可注册号的证书附件，证书附件是本证书组成部分。

生效日期：2023-08-17

截止日期：2029-08-16

中国合格评定国家认可委员会授权人

5.2. Product Responsibility

5.2.1. Product Health and Safety

The Group is committed to providing customers with healthy and safe products. We comply with the corresponding national product production standards, use customer-specific requirements as design inputs, formulate operational guidelines and quality standards for each process from raw materials to finished products, and monitor product safety throughout the entire process. In the process of test development, process enlargement and mass production, we strictly follow the corresponding operation procedures to ensure that our products are risk-free and hazard-free. The safety of our products is further ensured through the regular calibration of metrology monitoring equipment and the regular maintenance and verification of production equipment.

Product health considerations

Raw material selection stage

- Clear understanding of the physicochemical properties of the raw materials
- Adhere to the principle of "selecting non-toxic and harmless raw materials and avoiding the use of toxic and harmful materials" for the selection of materials with similar effects
- Establish scientific and reasonable standards for incoming raw material inspections
- Train qualified personnel to inspect incoming materials to control the physicochemical properties of the products

Storage stage

- Establish a reasonable storage system for the warehouse
- Materials stored in accordance with storage requirements, sheltering from light and wind, clearly labeled and using a first-in-first-out system

Process stage

- Clear understanding of the process of product development and production, analyze the physicochemical properties of the product
- Wear appropriate personal protective equipment in formula development, process scale-up, and mass production to ensure a well-ventilated environment
- Establish process inspection standards for continuous quality monitoring of the production process, controlling the special characteristics and performance indicators of the products

Product finishing stage

- Develop comprehensive inspection standards for finished products, controlling the physicochemical performance indicators of the products through performance testing of the finished products before leaving the factory

5.2.2. Product Labelling

The Group has formulated the *Management Manual* to strengthen the standardized management of product trademarks. The manual requires that product labels clearly indicate the product name, product standard number, and product quality inspection certificate. We regularly review and inspect product labels to prevent products from being misused during delivery and to ensure that product labels are accurate and effective. If a product issue is discovered, we will trace the origin, responsible person, and destination of each product based on their unique label to determine the cause of the problem.

5.2.3. Product Research and Development

The Group adheres to an innovative corporate culture and continuously pursues research and development of new products and improvement of existing production technologies, striving to provide customers with the highest quality products and services. We have established the *Control Procedure for Design and Development* to strictly monitor the product technology research and development and improvement processes. To ensure that our products meet relevant standards, we have established a series of procedures for reviewing and verifying the research and development of products.

As a leading catalyst developer, the Company actively applies for patents for relevant technological achievements to protect our legitimate rights and interests. As of the end of this Reporting Period, the Company has obtained 27 patent certificates, including multiple software registration rights, utility model patents, and invention patents. During this Reporting Period, Beijing Denox has obtained 1 patent and Gu'an Denox has obtained 6 certificates with 2 under application. At the same time, we strictly abide by the the *Patent Law of the People's Republic of China,* the *Tort Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China.* Gu'an Denox has obtained the certification of the Intellectual Property Management System, in order to resolutely protect intellectual property rights and prevent infringement. To avoid related disputes and protect the rights of intellectual property owners, we clearly indicate the ownership of intellectual property on the product packaging during the product development process.

Patents obtained in 2023

证书号第19323485号

实用新型专利证书

实用新型名称：一种快速加料装置

发　明　人：张爽;刘卫民;郭奔

专　利　号：ZL 2023 2 0872008.1

专利申请日：2023年04月18日

专利权人：固安迪诺斯环保设备制造有限公司

地　　址：065000 河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

授权公告日：2023年07月14日　　授权公告号：CN 219341023 U

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专利证书记载专利权登记时的法律状况。专利权的转移、质押、无效、终止、恢复和专利权人的姓名或名称、国籍、地址变更等事项记载在专利登记簿上。

局长
申长雨

2023年07月14日

第1页(共2页)

其他事项参见续页

证书号第19584909号

实用新型专利证书

实用新型名称：一种新型粉料转运车

发　明　人：孙晟;杨芷;申倩

专　利　号：ZL 2023 2 0821889.4

专利申请日：2023年04月13日

专利权人：固安迪诺斯环保设备制造有限公司

地　　址：065000 河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

授权公告日：2023年08月29日　　授权公告号：CN 219601294 U

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局长
申长雨

2023年08月29日

第1页(共2页)

其他事项参见续页

证书号第19860797号

实用新型专利证书

实用新型名称：一种蜂窝催化剂隧道窑烘干钢架

发　明　人：姜广洋;梁志勇;卢国辉

专　利　号：ZL 2023 2 1086965.8

专利申请日：2023年05月08日

专利权人：固安迪诺斯环保设备制造有限公司

地　址：065000 河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

授权公告日：2023年10月20日　授权公告号：CN 219869141 U

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局长
申长雨

2023年10月20日

第1页(共2页)

其他事项参见续页

证书号第19833274号

实用新型专利证书

实用新型名称：一种新型浆料转运车

发　明　人：韩世界;尹萌;孙晟

专　利　号：ZL 2023 2 1090039.8

专利申请日：2023年05月08日

专利权人：固安迪诺斯环保设备制造有限公司

地　址：065000 河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

授权公告日：2023年10月20日　授权公告号：CN 219857208 U

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局长
申长雨

2023年10月20日

第1页(共2页)

其他事项参见续页

证书号第19735275号

实用新型专利证书

实用新型名称：一种催化剂小样硫老化装置

发　明　人：申倩;郭奔;杨芷

专　利　号：ZL 2023 2 1145020.9

专利申请日：2023年05月12日

专利权人：固安迪诺斯环保设备制造有限公司

地　址：065000 河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

授权公告日：2023年09月26日　授权公告号：CN 219758038 U

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局长
申长雨

2023年09月26日

第1页(共2页)

其他事项参见续页

证书号第19737336号

实用新型专利证书

实用新型名称：一种新型粉末催化剂水热老化装置

发　明　人：申倩;郭奔;尹萌

专　利　号：ZL 2023 2 1209321.3

专利申请日：2023年05月18日

专利权人：固安迪诺斯环保设备制造有限公司

地　址：065000 河北省廊坊市固安县工业园区南区四海路东侧、正兴街北侧

授权公告日：2023年09月26日　授权公告号：CN 219758040 U

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局长
申长雨

2023年09月26日

第1页(共2页)

其他事项参见续页

Gu'an Denox certified as an innovative small and medium-sized enterprise in Hebei Province

5.3. High Quality Services

5.3.1. Customer Services

The Group is committed to improving the quality of its services and products, so as to establish a long-term and stable partnership with our clients. We always prioritize customer feedback and opinions, maintaining positive and effective communication throughout the sales process. We have established the *Control Procedure of Customer Satisfaction* and the *Control Procedure of Customer-related Process* to specify the standard and process of communication with clients throughout the entire service process, to timely learn about customer requirements and opinions regarding products and services, and to enhance customer satisfaction.

Pre-sale service

- Utilise various communication channels to communicate to understand their needs and expectations and determine their requirements

In-sale service

- Provide the corresponding services according to the contract requirements and meet the product requirements
- Introducing our products and services to customers, responding to customer inquiries and suggestions in a timely manner

After-sale service

- Collect customers' opinions on product quality, delivery and service by the *Customer Satisfaction Survey*

The Group has established a clear service complaint handling process to comprehensively address customer feedback and complaints during the service process. Upon receiving a customer complaint, we promptly record the details and report them to management for detailed investigation to identify the root cause. We actively communicate with the customer to discuss and provide feasible solutions to achieve the target of proper resolution of customer complaints. We strive to continuously improve our service levels and quality by gathering customer feedback and complaints and taking corresponding optimization measures in service content and quality. During the Reporting Period, we did not receive any complaints regarding our products or services.

5.3.2. Privacy Protection for Customers

The Group is committed to protecting customer privacy, keeping customer information properly, and ensuring that customer information is not leaked. The Group has established *the Company Confidentiality Management System (Trial)*, which stipulates the types of confidentiality management that each department is responsible for. Due to the large amount of customer information obtained and stored by the marketing department, the Group has taken specialized information encryption measures. Initially, customer information forms are submitted by sales managers to regional directors, then collected by the marketing department's staff and finally submitted to business unit leaders. Other personnel do not have permission to access this information. Project documents for signed contracts are stored uniformly. Additionally, the Group has signed confidentiality agreements with employees to ensure that they abide by the relevant customer privacy and confidentiality regulations, thus improving confidentiality management.

During the Reporting Period, the Group has not received any information regarding the leakage of customers' privacy.

5.3.3. Avoid False Publicity

The Group adheres to the trading principle of honesty and fairness and prohibits illegal acts of fraudulent marketing. The content of promotional materials and website of the Group is strictly prepared and written in accordance with the requirements of *the Advertising Law of the People's Republic of China* and is subject to multi-level review to ensure the accuracy of the content. The Group's promotional materials must pass the review before external use to ensure that the products or technologies provided in the promotional materials do not involve infringement and that the promotional content or description complies with the requirements of the Advertising Law. In addition, the Group strictly regulates that any information released through official channels must be reviewed and approved by management before publication to avoid damage to customer rights and interests caused by information errors. For situations where customers request internal information, the proposed reply content must be approved by the relevant department's superior before being responded to, ensuring that the information provided to customers is true and effective.

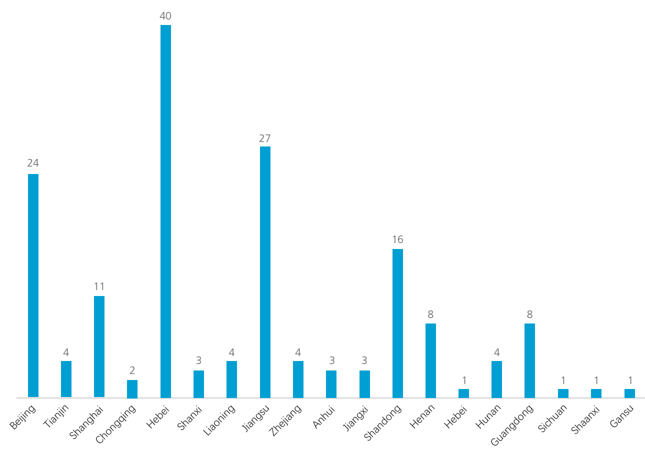
6. Responsible Operation

6.1. Supplier Management

The Group insists on developing a close partnership with suppliers, hoping to create a mutually beneficial and win-win development plan with suppliers. Therefore, the Group attaches great importance to the impact of suppliers on the environment and society, and strongly advocates the concept of sustainable development in the industry chain.

We have formulated the *Procurement System for the Procurement Department,* the *Code of Conduct for Procurement Personnel of the Company* and the *procurement and supplier management system* to strengthen the management of suppliers. The process of supplier selection and evaluation is clearly defined to ensure that the products and services provided by the selected suppliers meet the internal quality, environmental and social requirements. After conducting market research internally, the Company identified a list of potential suppliers. We then formed a supplier selection team comprising of different departments, who evaluated each potential supplier through on-site inspections and other means, scoring them on various criteria. Suppliers were ultimately selected based on their total score. New qualified suppliers were added to the Group's *Qualified Supplier Directory* and the top-performing suppliers were hired. To ensure all suppliers meet the required standards, we conducted an annual review of the existing suppliers on the *Qualified Supplier Directory* to verify their qualifications. During the Reporting Period, we have adhered to the Company's requirements throughout this process and audited 28 suppliers, while cooperating with a total of 165 suppliers.

No. of suppliers by geographical region



The Group incorporates the environmental and social performance of suppliers into the selection criteria of suppliers, strictly controls the impact of suppliers on the environment and society and selects suppliers with good performance for cooperation. For example, whether the supplier has been subject to environmental penalties, whether it has obtained an emission permit and whether the environmental protection equipment is in good working order. If the supplier's environmental and social performance is found to be poor during the supplier's periodic review, we will ask the supplier to rectify the situation in a timely manner, and if the rectification is completed, the supplier will be downgraded and continue to be used. If the supplier does not rectify the situation, we will terminate the relationship with the supplier.

Case Study: Considering Suppliers' Environmental and Safety Performance	
In addition to the usual qualification verification of potential suppliers, Gu'an Denox also verifies whether the environmental and safety performance of potential chemical raw materials suppliers meets the Group's standards, including:	
Environmental Indicators for Assessment	**Safety Protection Requirement**
• Synchronization rate of pollution control facilities and production equipment • Air emissions and wastewater discharge compliance rate and solid waste handling rate • Major environmental pollution incident • Environmental nuisance caused to residents • Substantial violation of environmental-related laws and regulations	• Workability of fire safety provisions • Safety management system for special equipment and corresponding records • Safety management system for electricity consumption and corresponding records • Management system for natural gas and corresponding records • Safety management system for dangerous goods and corresponding records

The Group adheres to the concept of "green procurement" and incorporates environmental protection factors into the procurement process to minimize the impact of corporate operations on the environment. Gu'an Denox has now established regulations that when purchasing office equipment and electrical products, products with a Chinese energy efficiency label of level 4 or above must be selected. At the same time, the lighting fixtures in the production workshop and office areas have also been replaced with low-energy LED light bulbs to reduce energy consumption for office and production and save electricity. Beijing Denox has also made relevant regulations, stipulating that only vehicles with emission standards of National Standard 5 or above shall be used for product transportation to reduce emissions during transportation of products. In addition, the cleaning products used in the factory and office areas must be low-volatile organic compound products. Starting from the details of daily operations, we are controlling the negative impact on the environment.

6.2. Anti-corruption

We are committed to building a culture of integrity and probity and adopt a "zero tolerance" approach to combating corruption. We continuously improve our corporate governance system to establish and maintain a good corporate image and social reputation for the Group. The Group strictly abides by the *Criminal Law of the People's Republic of China*, the *Regulations of the People's Republic of China for Suppression of Corruption*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-money Laundering Law of the People's Republic of China* and other laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud, and money laundering.

The Group has developed and implemented the *Anti-Corruption and Anti-Bribery Control Procedures* and the *Corporate Integrity and Self-discipline Management System* to combat corruption from within and promote lawful business operations. We also attach great importance to providing anti-corruption training to directors, employees, and business partners. We ensure that new employees receive anti-corruption education during their induction training to help them establish a bottom-line thinking of integrity. To ensure the effectiveness of learning, we provide relevant training materials through email and offer online training courses to ensure that our employees have a correct understanding of anti-corruption knowledge and establish a good awareness of probity in their work, in compliance with relevant regulations of the Group. In addition, we strictly require our employees to abide by the principles of business ethics, fairness, and legality, and require key personnel to sign the *Anti-Corruption and Anti-Bribery Control Procedures* and the *Corporate Integrity and Self-discipline Management System*. We have formulated the *Code of Conduct for Procurement Personnel of the Company* to regulate high-risk procurement processes and prohibit corrupt behavior. For goods and service suppliers who have business dealings with the Group, we also sign the *Undertaking Combating Bribery/Corruption for Supplier* and the *Supplier Integrity Cooperation Agreement* to establish transparent and clean business relationships. During the Reporting Period, there were no cases of corruption litigation.

Anti-corruption Training in Beijing Denox

To further combat corruption, the Group has established smooth reporting channels, including report boxes and telephone reporting lines, to encourage employees and partners to report corrupt acts of bribery, extortion, fraud, and money laundering, and to strictly protect the rights of whistleblowers. The Group's *Anti-Corruption and Anti-Bribery Control Procedures* set out in detail the methods of reporting misconduct, the investigation procedures, and the corresponding handling of such reports. If a report is substantiated by the Group, it will be dealt with strictly in accordance with our internal management system and, if it constitutes an offense, it will be referred to the judicial authorities.

6.3. Caring the Community

The Group understands that sustainable business development and community development are inseparable. As part of our commitment to social responsibility and giving back to the community, we are proactive in understanding and responding to community expectations and needs for our business operations. The Group's *Control Procedure of Environmental Factors' Identification and Assessment* specifies the important environmental factors and their environmental impacts for different types of emissions and consumption, with each department evaluating specific environmental factors and their environmental impacts according to its own circumstances, and ultimately identifying important environmental factors and adopting focused control methods. During the Reporting Period, we continued to conduct environmental monitoring in the surrounding areas of the production parks, and managed the noise and air pollutants generated during the production process to ensure that our operations do not cause interference to the surrounding communities. Our complaint and feedback mechanism are also improving. If we receive opinions and feedback from the residents of the surrounding communities, we will investigate and evaluate them, solve relevant problems and give timely responses.

Community cleaning activity of Gu'an Denox

During the reporting period, we actively participated in community cleaning services for the public good by encouraging our staffs to serve as volunteers to proactively carry out 4-hour cleaning services for the streets in the community, and actively undertook our corporate social responsibility.

7. Report Index

7.1. Environmental, Social and Governance Reporting Guide Content Index

Mandatory Disclosure Requirements	Description	Relevant Section in the Report
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues. (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritize, and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	2. Governance in Sustainable Development
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	1. About the Environmental, Social and Governance Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1. About the Environmental, Social and Governance Report

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Environmental		
Aspect A1: Emissions		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	3. Green Operation
KPI A1.1	The types of emissions and respective emissions data.	3.3. Environmental Data
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.3. Environmental Data
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.3. Environmental Data
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.3. Environmental Data
KPI A1.5	Description of emissions target(s) set, and steps taken to achieve them.	3.1. Environmental Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them.	3.1. Environmental Management

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	3.2. Resource Utilization
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas, or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	3.3. Environmental Data
KPI A2.2	Description of energy use efficiency target(s) set, and steps taken to achieve them.	3.3. Environmental Data
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.2. Resource Utilization
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	3.2. Resource Utilization
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	3.3. Environmental Data
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	3.1. Environmental Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.1. Environmental Management
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.1. Environmental Management
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.1. Environmental Management

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Social		
Aspect B1: Employment		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. People-oriented
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	4.1. Employees' Rights and Interests
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1. Employees' Rights and Interests
Aspect B2: Health and Safety		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3. Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3. Health and Safety
KPI B2.2	Lost days due to work injury.	4.3. Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.3. Health and Safety

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	4.4. Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	4.4. Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.4. Talent Development
Aspect B4: Labor Standards		
General Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	4. People-oriented
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	4.1. Employees' Rights and Interests
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1. Employees' Rights and Interests
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1. Supplier Management
KPI B5.1	Number of suppliers by geographical region.	6.1. Supplier Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	6.1. Supplier Management

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.1. Supplier Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.1. Supplier Management
Aspect B6: Product Responsibility		
General Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress.	5. Quality Comes First
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.1. Product Quality
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	5.3. High Quality Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2. Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	5.1. Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.3. High Quality Services

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
Aspect B7: Anti-Corruption		
General Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	6.2. Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	6.2. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.2. Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	6.2. Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.3. Caring the Community
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	6.3. Caring the Community
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	6.3. Caring the Community

TO THE SHAREHOLDERS OF 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)

Opinion

We have audited the consolidated financial statements of Denox Environmental & Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 121 to 187, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(Continued)*

Impairment of property, plant and equipment and right-of-use assets

Refer to notes 17 and 18 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, the net carrying amounts of the Group's property, plant and equipment and right-of-use assets were RMB37,351,000 and RMB8,424,000, no impairment loss was made for the year ended 31 December 2023. During the year ended 31 December 2023, the Group suffered operating losses indicating that the carrying amount of the Group's property, plant and equipment and right-of-use assets as detailed in notes 17 and 18 may be impaired. The Group performed an assessment on impairment of the assets at cash generating unit (the "**CGU**") level. As the estimated recoverable amount of the CGU is higher than the carrying amount, no impairment loss was identified. Management applied significant judgement in determining the value in use of the relevant CGUs, of which the key assumptions adopted in the calculation of value in use include: i) sales growth rates and gross profit margin rates within the forecast period; ii) discount rates and; iii) terminal growth rate. We focused on this area because of the significance of balances of property, plant and equipment and right-of-use assets and management judgement and assumptions applied in the impairment assessment.	Our procedures in relation to the assessment of impairment of property, plant and equipment and right-of-use assets included: • Obtaining an understanding of the management's process and basis adopted in preparing the value in use calculations of the CGUs, including key inputs; • Comparing the current year's actual results with prior year's forecast, where applicable, to consider whether any past forecast including any assumptions, with hindsight, had been aggressive; • Assessing the appropriateness of the methodology, and the reasonableness of key assumptions based on our knowledge of the business and industry; • Checking, on sampling basis, the accuracy and relevance of the inputs used; • Reviewing the valuation report issued by the external valuer and evaluating their independence, competence and objectivity; and • Assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key Audit Matters *(Continued)*

Net realisable value of inventories

Refer to note 21 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
We identified the net realisable value of inventories as a key audit matter due to significant management judgement and estimates involved in the identification of obsolete and slow-moving inventories and measurement of the impairment loss of inventories by the management. As set out in note 4 to the consolidated financial statements, the management estimates the net realisable values for inventories primarily based on the market condition, historical experience of selling products of similar nature and the latest selling prices of the catalysts. Moreover, the management reviews the usability and saleability of inventories at the end of reporting period, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing categories and subsequent usages/sales. The historical record, quality and nature of the inventories are taken into consideration for the measurement of the write-down values of those obsolete and slow-moving inventories. As at 31 December 2023, the carrying amount of inventories was RMB220,199,000, net of accumulated impairment loss of RMB1,237,000.	Our procedures in relation to the net realisable value of inventories included: • assessing management estimations and judgement including the market condition and latest selling prices of catalysts on the assessment of net realisable value of inventories and identification of obsolete and slow-moving items based on the ageing analysis and physical condition; and • assessing the net realisable values based on usage and selling prices of inventories subsequent to the end of the reporting period; and • discussing with the management in respect of the adequacy of the allowance made by the management based on subsequent usage and sales, ageing analysis and current market conditions.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CL Partners CPA Limited
Certified Public Accountants
Lee Wai Chi
Practising Certificate Number: P07830

Hong Kong
26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	7	**126,392**	62,791
Cost of sales		**(101,864)**	(49,401)
Gross profit		**24,528**	13,390
Selling and marketing expenses		**(28,688)**	(15,817)
Administrative expenses		**(16,778)**	(17,460)
Research and development expenses		**(7,476)**	(5,745)
Impairment loss (recognised) reversed in respect of trade and retention receivables, net	22	**(122)**	429
Other income, gains and losses	9	**1,737**	1,590
Share of result of an associate	20	**8**	17
Finance income	10	**1,850**	321
Finance costs	10	**(493)**	(256)
Loss before tax		**(25,434)**	(23,531)
Income tax expenses	11	**–**	–
Loss for the year	12	**(25,434)**	(23,531)
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		**725**	4,685
Other comprehensive income for the year		**725**	4,685
Total comprehensive expense for the year		**(24,709)**	(18,846)
Loss per share attributable to owners of the Company	16		
Basic and diluted (RMB per share)		**(0.05)**	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**37,351**	43,004
Right-of-use assets	18	**8,424**	10,042
Intangible assets	19	**–**	–
Interest in an associate	20	**116**	108
Long-term prepayments	24	**128**	351
		46,019	53,505
Current assets			
Inventories	21	**220,199**	160,950
Trade and retention receivables	22	**23,376**	15,502
Financial assets at fair value through other comprehensive income	23	**66**	4,398
Prepayments, deposits and other receivables	24	**12,658**	7,402
Restricted bank deposits	25	**470**	2,600
Bank deposits with original maturity over three months	25	**24,077**	46,025
Bank balances and cash	25	**44,260**	24,017
		325,106	260,894
Total assets		**371,125**	314,399
LIABILITIES			
Non-current liabilities			
Borrowing	29	**1,740**	–
Lease liabilities	18	**323**	1,675
Deferred income	31	**2,053**	2,361
		4,116	4,036
Current liabilities			
Trade payables	26	**23,183**	11,217
Accruals and other payables	27	**10,472**	7,886
Contract liabilities	28	**161,167**	97,307
Borrowing	29	**2,748**	–
Deferred income	31	**308**	308
Lease liabilities	18	**1,462**	1,267
Tax payables		**3,703**	3,703
		203,043	121,688
Total liabilities		**207,159**	125,724
Net assets		**163,966**	188,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	**2023 RMB'000**	2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**31,423**	31,423
Reserves		**132,543**	157,252
		163,966	188,675
Total equity		**163,966**	188,675
Total equity and liabilities		**371,125**	314,399

The consolidated financial statements on pages 121 to 187 were approved and authorised for issue by the board of directors on 26 March 2024 and are signed on its behalf by:

Ms. Zhao Shu – Director

Mr. Li Ke – Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to owners of the Company					
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves (note i) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022		31,423	849,824	(552,410)	28,814	(150,130)	207,521
Loss for the year		–	–	–	–	(23,531)	(23,531)
Other comprehensive income for the year							
Exchange differences arising on translation of financial statements from functional currency to presentation currency		–	–	–	4,685	–	4,685
Total comprehensive income (expense) for the year		–	–	–	4,685	(23,531)	(18,846)
At 31 December 2022		31,423	849,824	(552,410)	33,499	(173,661)	188,675

		Attributable to owners of the Company					
	Note	Share capital	Share premium	Capital reserves	Other reserves (note i)	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023		**31,423**	**849,824**	**(552,410)**	**33,499**	**(173,661)**	**188,675**
Loss for the year		–	–	–	–	(25,434)	(25,434)
Other comprehensive income for the year							
Exchange differences arising on translation of financial statements from functional currency to presentation currency		–	–	–	725	–	725
Total comprehensive income (expense) for the year		–	–	–	725	(25,434)	(24,709)
At 31 December 2023		**31,423**	**849,824**	**(552,410)**	**34,224**	**(199,095)**	**163,966**

Note:

(i) Other reserves include (a) the currency translation differences; and (b) the statutory reserves. In accordance with the respective articles of association and board resolutions, certain subsidiaries operated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory reserve before distributing any dividends. The statutory reserve can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the year ended 31 December 2023, nil (2022: nil) was appropriated from accumulated losses to the statutory reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 **RMB'000**	2022 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(25,434)**	(23,531)
Adjustments for:		
Interest income	**(1,850)**	(321)
Finance costs	**493**	256
Depreciation of property, plant and equipment	**5,898**	5,944
Depreciation of right-of-use assets	**1,757**	2,176
Share of result of an associate	**(8)**	(17)
Gain on early termination of leases	**–**	(254)
Gain on lease modification	**–**	(22)
Loss on disposal of property, plant and equipment, net	**81**	218
Government grants	**(308)**	(308)
Impairment loss (reversed) recognised on inventories	**(270)**	430
Impairment loss recognised (reversed) in respect of trade receivables, net	**122**	(429)
Operating cash flows before movements in working capital	**(19,519)**	(15,858)
Increase in inventories	**(58,979)**	(39,345)
(Increase) decrease in trade and retention receivables	**(7,996)**	19,884
Decrease in financial assets at fair value through other comprehensive income	**9,332**	10,693
(Increase) decrease in prepayment, deposits and other receivables	**(5,024)**	7,011
Increase (decrease) in trade payables	**11,966**	(1,835)
Increase in contract liabilities	**63,860**	14,984
Increase (decrease) in accruals and other payables	**2,551**	(1,089)
NET CASH USED IN OPERATING ACTIVITIES	**(3,809)**	(5,555)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 **RMB'000**	2022 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(337)**	(2,445)
Proceeds on disposal of property, plant and equipment	**11**	30
Withdrawal of restricted cash	**2,629**	4,492
Placement of restricted cash	**(499)**	(1,466)
Withdrawal of bank deposits with original maturity over three months	**24,715**	–
Placements of bank deposits with original maturity over three months	**(2,231)**	(46,025)
Interest received	**1,850**	321
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**26,138**	(45,093)
FINANCING ACTIVITIES		
Repayments of lease liabilities	**(1,296)**	(1,123)
Repayments of borrowing	**(512)**	–
Interest paid	**(493)**	(256)
NET CASH USED IN FINANCING ACTIVITIES	**(2,301)**	(1,379)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,028**	(52,027)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**24,017**	71,359
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**215**	4,685
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**44,260**	24,017

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, manufacture and sale 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, an executive director and chairlady of the Company (the "**Controlling Shareholder**").

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

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

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

New and amendments to IFRSs that are mandatonly effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (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 consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to IFRSs issued but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Basis of consolidation *(continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Investments in associates *(continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers *(continued)*

Sales of catalysts

The Group manufactures and sells plate-type and honey-comb DeNOx catalysts to coal-fired power plants (the "**Power Plants**"), certain engineering, procurement and construction (the "**EPCs**") service providers and boiler manufacturers in the PRC. The Group is responsible for the delivery of goods to customers' specified destinations after the sales contracts are signed. The customers are responsible for the test run of the function of the Group's products after installation, and will issue a preliminary acceptance certificate to the Group when the Group's products are qualified. Sales of plate-type DeNOx catalysts and honey-comb catalysts are recognised when control of the goods is transferred to the customers, generally coincides with the time of receipt of the preliminary acceptance certificate.

The Group also manufactures and sells DeNOx catalysts for vehicles. The Group normally signs the framework agreements with customers on annual basis. Selling price is negotiated and fixed at each purchase order. Revenue from the sales of DeNOx catalysts for vehicles is recognised at the point in time when control of the catalysts is transferred to customer, which is upon the completed delivery and acceptance of the goods to the customer site.

The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum and this has resulted in a contract liability. For certain plate-type DeNOx catalysts and honey-comb catalysts, the Group also typically agrees to 1 to 3 years retention period from the date of certification for 10% of the contract value. Retention receivables, prior to the expiration of the retention period, are classified as contract assets and are included in the trade and retention receivables line item as the Group's entitlement to this retention receivables is conditional on the Group's work satisfactorily passing inspection. The relevant amount of contract assets is reclassified to trade receivables when the retention period expires.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Warranties

A customer does not have the option to purchase a warranty separately. The warranties serve as an assurance that products sold comply with agreed upon speciscations. Accordingly, the Group accounts for the warranty in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases is recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

Right-of-use assets *(continued)*

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

Lease liabilities *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Sale and leaseback transactions

The Group applies the requirements to IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowing within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. This income received related to government grants is included in operating activities in the consolidated statement of cash flows.

Retirement benefits costs

Payments to defined contribution plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Goods in transit refer to finished goods in transit and held at customer's place.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and retention receivables, other receivables, deposits, financial assets at fair value through other comprehensive income, restricted bank deposits, bank deposits with original maturity over three months and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and retention receivables.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)
For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(ii) Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the ageing analysis when formulating the grouping.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments other than trade receivables and contract assets by adjusting their carrying amount. For trade receivables and contract assets, the impairment gain or loss are recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other income, gains and losses' line item as part of the net foreign exchange gains/(losses);

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, lease liabilities, borrowing and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Material accounting policy information *(continued)*

Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policy information, which are described in note 3, 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 consolidated 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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment on property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including sales growth rates, gross profit margin rates within the forecast period, terminal growth rate and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated sales growth rates, gross profit margin rates within the forecast period, terminal growth rate and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the sales growth rates, gross profit margin rates within the forecast period, terminal growth rate or discount rates, could materially affect the recoverable amounts.

As at 31 December 2023, the net carrying amounts of property, plant and equipment and right-of-use assets were RMB37,351,000 and RMB8,424,000 (2022: RMB43,004,000 and RMB10,042,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 17 and 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of trade and retention receivables

The impairment provisions for trade and retention receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on ageing analysis as well as the Group's historical repayment pattern and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2023, the carrying amount of trade and retention receivables was RMB23,376,000 (2022: RMB15,502,000), net of accumulated impairment loss of RMB2,723,000 (2022: RMB3,131,000).

Estimated allowance for inventories

The management of the Group reviews ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest selling prices of catalysts, current market conditions as well as the historical experience of selling products of similar nature. As at 31 December 2023, the net carrying amount of inventories was RMB220,199,000 (2022: RMB160,950,000), net of accumulated allowance for inventories of RMB1,237,000 (2022: RMB6,326,000).

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers its capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. The Group manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the board of directors intends to pursue in addition to maximising the return to shareholders. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**98,377**	92,121
Financial assets at FVTOCI	**66**	4,398
Financial liabilities		
Financial liabilities at amortised cost	**37,475**	21,229

Financial risk management objectives and policies

The Group's major financial instruments include trade and retention receivables, financial assets at FVTOCI, deposits and other receivables, bank deposits with original maturity over three months, restricted bank deposits, bank balances and cash, trade payables, accruals and other payables, lease liabilities and borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk.

Certain bank deposits with original maturity over three months and bank balances are denominated in currencies other than the functional currencies of the relevant group entities. The carrying amounts of the Group's foreign currencies denominated monetary assets at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
United States dollars ("**USD**")	**41,883**	37,882
Euro ("**EUR**")	**678**	183
RMB	**9**	9
	42,570	38,074

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to USD, EUR and RMB.

The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% (2022: 10%) change in foreign currency rates.

A positive number below indicates an increase in post-tax loss where the respective functional currencies strengthen by 10% (2022: 10%) against the relevant foreign currencies. For a 10% (2022: 10%) weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax loss and the amount below would be negative.

	2023 **RMB'000**	2022 RMB'000
Impact on loss		
USD	**3,367**	3,062
EUR	**53**	14
RMB	**1**	1
	3,421	3,077

Interest rate risk

The Group has no significant interest-bearing assets, other than bank balances, restricted bank deposits and bank deposits with original maturity over three months, details of which have been disclosed in note 25. The Group has borrowing at fixed interest rate that exposes the Group to fair value interest rate risk. Thus, as at 31 December 2023, the Group's exposure to interest rate risk is not material.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and retention receivables, deposits and other receivables, financial assets at FVTOCI, bank deposits with original maturity over three months, restricted bank deposits and bank balances. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade and retention receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix based on ageing analysis, historical repayment pattern as well as forward-looking information at the end of the reporting period. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group believed that there is no significant increase in credit risk since initial recognition and the Group provided impairment based on 12-month ECL. For both years, the Group assessed the ECL for deposits and other receivables are insignificant and thus no loss allowance is recognised.

Management considered financial assets at FVTOCI to be low credit risk because they are issued by banks with high credit ratings and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicator is incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

The Group's exposure to credit risk *(continued)*

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

				31 December 2023			31 December 2022		
	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Bill receivables	23	Performing	12-month ECL	66	–	66	4,398	–	4,398
Trade and retention receivables	22	Note	Lifetime ECL (simplified approach)	26,099	2,723	23,376	18,633	3,131	15,502
Deposits and other receivables	24	Performing	12-month ECL	6,194	–	6,194	3,977	–	3,977
Bank deposits with original maturity over three months	25	Performing	12-month ECL	24,077	–	24,077	46,025	–	46,025
Restricted bank deposits	25	Performing	12-month ECL	470	–	470	2,600	–	2,600
Bank balances	25	Performing	12-month ECL	44,260	–	44,260	24,017	–	24,017

Note: For trade and retention receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade and retention receivables by using a provision matrix based ageing analysis, historical repayment pattern, adjusted as appropriate forward-looking information. Accordingly, the credit risk profile is presented based on their ageing analysis in terms of the provision matrix. Note 22 includes further details on the loss allowance for trade and retention receivables.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2022: 100%) of the total trade and retention receivables as at 31 December 2023.

The Group's trade and retention receivables from top five customers amounting to RMB15,814,000 (2022: RMB7,218,000) representing approximately 60.6% (2022: 38.7%) of the total trade and retention receivables as at 31 December 2023.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

Liquidity tables

	Effective interest rate	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023						
Financial liabilities						
Trade payables	–	23,183	–	–	23,183	23,183
Accruals and other payables	–	8,019	–	–	8,019	8,019
Borrowing	3.6%	3,015	1,806	–	4,821	4,488
Lease liabilities	3.5%	1,521	326	–	1,847	1,785
Total		35,738	2,132	–	37,870	37,475

	Effective interest rate	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022						
Financial liabilities						
Trade payables	–	11,217	–	–	11,217	11,217
Accruals and other payables	–	7,070	–	–	7,070	7,070
Lease liabilities	5.8%	1,380	1,449	284	3,113	2,942
Total		19,667	1,449	284	21,400	21,229

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	2023			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTOCI				
Bill receivables	**–**	**–**	**66**	**66**

	2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Bill receivables	–	–	4,398	4,398

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2023 and 2022.

Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of the financial instrument on a recurring basis are set out below:

Financial instrument	Fair value hierarchy	Fair value as at **2023 RMB'000**	Fair value as at 2022 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Bill receivables	Level 3	**66**	4,398	Discounted cash flows – By reference to the present value of the expected future cash flows, based on an appropriate discount rate	Discount rate*

* The higher the discount rate, the lower the fair value of bill receivables.

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial assets that are measured at fair value on a recurring basis *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Financial assets at FVTOCI RMB'000
At 1 January 2022	15,091
Received from third parties	52,126
Collection upon expiration/selling of financial assets	(62,819)
At 31 December 2022	4,398
Received from third parties	122,612
Collection upon expiration/selling of financial assets	(126,595)
Interest expenses on discounted bills	(349)
At 31 December 2023	66

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosure are required)

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

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

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	**58,528**	51,945
• Honey-comb DeNOx catalysts	**21,143**	9,551
• DeNOx catalysts for vehicles	**46,721**	1,295
	126,392	62,791

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

Transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 December 2023 and 2022, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

8. 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.

Geographical information

The Group's operation is located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations of customers.

	Revenue from external customers	
	2023	2022
	RMB'000	RMB'000
The PRC	**125,941**	59,252
Southeast Asia	**451**	3,539
Total	**126,392**	62,791

All non-current assets of the Group are located in the PRC.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2023	2022
	RMB'000	RMB'000
Customer A	**44,804**	9,592

9. OTHER INCOME, GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Government grants (note)	**418**	831
Loss on disposal of property, plant and equipment, net	**(81)**	(218)
Net foreign exchange gain	**423**	658
Gain on early termination of leases	**–**	254
Gain on lease modification	**–**	22
Value-added tax credit	**948**	–
Others	**29**	43
	1,737	1,590

Note: The Group received a government subsidy of approximately RMB3,080,000 for acquisition of machineries, which has been treated as deferred income and is amortised to profit or loss over the useful lives of the related machineries. This policy has resulted in a credit to profit or loss in the current year of approximately RMB308,000 (2022: RMB308,000). Details of deferred income are set out in note 31.

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.

10. FINANCE INCOME/FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Finance income		
Interest income	**1,850**	321
Finance costs		
Interest expenses on lease liabilities	**(114)**	(256)
Interest expenses on borrowing	**(30)**	–
Interest expenses on discounted bills	**(349)**	–
	(493)	(256)

11. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
PRC Enterprise Income Tax:		
Current year	**–**	–
	–	–
Deferred taxation (note 30):		
Current year	**–**	–
	–	–

11. INCOME TAX EXPENSES *(continued)*

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2023 and 2022.

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

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiary, Gu'an Denox Environmental Equipment Manufacturing Co., Ltd, ("**Gu'an Denox**"), was accredited as high and new technology enterprises. It is entitled to the preferential tax rate of 15% for the years ended 31 December 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 years ended 31 December 2023 and 2022.

The income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(25,434)**	(23,531)
Tax at the domestic income tax rate of 25% (2022: 25%)	**(6,358)**	(5,883)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**335**	356
Effect of preferential tax rate in the PRC	**(648)**	413
Tax effect of expenses not deductible for tax purpose	**1,142**	685
Tax effect of tax losses not recognised	**6,444**	3,966
Utilization of tax losses previously not recognised	**(1,001)**	–
Tax effect of deductible temporary differences not recognised	**86**	463
Income tax expenses for the year	**–**	–

Details of deferred taxation are set out in note 30.

12. LOSS FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors' emoluments *(note 13)*	**828**	938
Other staffs' wages, salaries and bonuses	**22,844**	17,817
Other staffs' retirement benefits schemes contributions	**3,058**	2,526
Other staffs' welfare and allowance	**855**	1,097
Total employee benefits expenses	**27,585**	22,378
Auditor's remuneration	**658**	604
Depreciation of property, plant and equipment	**5,898**	5,944
Depreciation of right-of-use assets	**1,757**	2,176
Expense relating to short-term lease	**39**	–
Amount of inventories recognised as an expense	**102,134**	48,971
Impairment loss (reversed) recognised on inventories included in cost of sales *(note)*	**(270)**	430
	101,864	**49,401**

Note: During the year ended 31 December 2023, impairment loss reversed on inventories of approximately RMB270,000 (2022: recognised of RMB430,000) was made.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Retirement benefits schemes contributions RMB'000	Total RMB'000
For the year ended 31 December 2023					
Executive directors:					
Ms. Zhao Shu (Chief executive)	–	206	18	–	224
Mr. Li Ke	–	204	16	60	280
Sub-total	–	410	34	60	504

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Non-executive director:					
Mr. Li Xingwu	–	–	–	–	–
Sub-total	–	–	–	–	–

The non-executive director's emolument shown above was for his services as director of the Company and its subsidiaries, if applicable.

Independent non-executive directors:					
Ms. Chan Yeuk Wa	108	–	–	–	108
Mr. Ong Chor Wei	108	–	–	–	108
Mr. Li Min	108	–	–	–	108
Sub-total	324	–	–	–	324

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total					828

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Retirement benefits schemes contributions RMB'000	Total RMB'000
For the year ended 31 December 2022					
Executive directors:					
Ms. Zhao Shu (Chief executive)	–	215	36	–	251
Mr. Kong Hongjun (note ii)	–	43	31	12	86
Mr. Li Ke	–	195	36	58	289
Sub-total	–	453	103	70	626

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Non-executive directors:					
Mr. Li Xingwu	–	–	–	–	–
Mr. Teo Yi-Dar (note i)	–	–	–	–	–
Sub-total	–	–	–	–	–

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

Independent non-executive directors:					
Ms. Chan Yeuk Wa	104	–	–	–	104
Mr. Ong Chor Wei	104	–	–	–	104
Mr. Li Min	104	–	–	–	104
Sub-total	312	–	–	–	312

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total					938

Notes:

(i) Resigned on 25 February 2022.

(ii) Resigned on 18 March 2022.

Ms. Zhao Shu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

During the years ended 31 December 2023 and 2022, neither the chief executive nor any of directors waived or agreed to waive any emoluments. No emoluments were paid or payable by the Group to the chief executive or any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

The discretionary bonus is determined by reference to the Group's and the individuals' performance.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, no (2022: two) director or the chief executive of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining five (2022: three) individuals were as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	**1,380**	637
Discretionary bonus	**1,053**	901
Retirement benefits scheme contributions	**126**	97
	2,559	1,635

Their emoluments were within the following bands:

	2023 No. of employees	2022 No. of employees
Nil to HK$1,000,000	**4**	2
HK$1,000,001 to HK$1,500,000	**1**	1

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2023	2022
	RMB'000	RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(25,434)**	(23,531)

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

The diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost							
At 1 January 2022	26,719	77,278	1,649	1,188	791	460	108,085
Additions	–	2,243	9	193	–	–	2,445
Disposals/write-off	–	(1,529)	–	(155)	–	–	(1,684)
At 31 December 2022 and 1 January 2023	26,719	77,992	1,658	1,226	791	460	108,846
Additions	–	125	17	85	–	110	337
Disposals/write-off	–	(139)	(89)	–	–	–	(228)
Transfer from CIP	–	570	–	–	–	(570)	–
At 31 December 2023	26,719	78,548	1,586	1,311	791	–	108,955
Accumulated depreciation and impairment							
At 1 January 2022	11,128	47,470	1,255	1,159	322	–	61,334
Depreciation provided for the year	1,279	4,307	98	173	87	–	5,944
Eliminated on disposals/write-off	–	(1,329)	–	(107)	–	–	(1,436)
At 31 December 2022 and 1 January 2023	12,407	50,448	1,353	1,225	409	–	65,842
Depreciation provided for the year	1,279	4,420	73	39	87	–	5,898
Eliminated on disposals/write-off	–	(51)	(85)	–	–	–	(136)
At 31 December 2023	13,686	54,817	1,341	1,264	496	–	71,604
Carrying amounts							
At 31 December 2023	13,033	23,731	245	47	295	–	37,351
At 31 December 2022	14,312	27,544	305	1	382	460	43,004

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than CIP, are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	20 years
Machinery	5 – 10 years
Vehicles	4 years
Office equipment and others	3 – 5 years
Leasehold improvements	Over the shorter of term of the lease or the estimated useful lives of the assets

As at 31 December 2022, the Group was in the progress of applying for registration of the ownership certificates for certain of its buildings with carrying amounts of approximately RMB1,836,000. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets and the ownership of the buildings to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote. As at 31 December 2023, the Group has completed the registration of the ownership certificates for its buildings.

In view of the operating losses during the years ended 31 December 2023 and 2022, the directors of the Company have conducted impairment assessment on recoverable amount of the property, plant and equipment and right-of-use assets of the Group. The Group estimates the recoverable amount of three CGUs to which the assets belong when it is not possible to estimate the recoverable amount individually, including Plate-type DeNOx catalysts (the "**Plate-type CGU**"), DeNOx catalysts for vehicles (the "**Vehicle CGU**") and honey-comb DeNOx catalysts (the "**Honey-comb CGU**"). The recoverable amount of the three CGUs are determined based on value in use calculation performed by the management of the Group.

Based on the result of the assessment, management of the Group determined that the estimated recoverable amounts of the Plate-type CGU, the Vehicle CGU and Honey-comb CGU are higher than their carrying amounts. No impairment loss was identified during the years ended 31 December 2023 and 2022. The recoverable amounts of the CGUs have been determined on the basis of its value in use using cashflow projection. That calculation uses cash flow projections based on past performance and expectation for market development approved by the management of the Group covering the following 5 years with a pre-tax discount rate of 12.2% as at 31 December 2023 (2022: 14.7%). The cash flows beyond the five-year period are extrapolated using nil growth rate (2022: 2%). This growth rate is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. Other key assumptions for the value in use calculated are the sales growth rates and gross profit margin rates within the forecast period, which are determined based on the CGUs' past performance and management expectations for the market development.

18. LEASES

(i) Right-of-use assets

	2023 RMB'000	2022 RMB'000
Land	**5,467**	5,615
Properties	**2,957**	4,427
	8,424	10,042

Right-of-use assets of RMB5,467,000 (2022: RMB5,615,000) represents land use rights located in the PRC.

The Group has lease arrangements for properties including offices, warehouse and factory. The lease terms are generally ranged from four to six years. None of these leases include variable lease payments.

Due to a new lease, addition to the right-of-use assets for the year ended 31 December 2023 amounted to approximately RMB139,000 (2022: RMB1,450,000) and lease liabilities of RMB139,000 (2022: RMB1,450,000) was recognised.

In 2022, the early termination on the rental agreements has been mutually agreed, resulting in the gain on early termination of leases amounted to RMB254,000 (2023: RMB nil). The Group has also extended a two-year lease in respect of a property from Mr. Chen Qizhao, resulting in the gain on lease modification amounted to RMB22,000 (2023: RMB nil).

(ii) Lease liabilities

	2023 RMB'000	2022 RMB'000
Non-current	**323**	1,675
Current	**1,462**	1,267
	1,785	2,942

18. LEASES *(continued)*

(ii) Lease liabilities *(continued)*

Amounts payable under lease liabilities	**2023 RMB'000**	2022 RMB'000
Within 1 year	**1,462**	1,267
After 1 year but within 2 years	**323**	1,393
After 2 years but within 5 years	**–**	282
	1,785	2,942
Less: amount due for settlement within 12 months (shown under current liabilities)	**(1,462)**	(1,267)
Amount due for settlement after 12 months	**323**	1,675

(iii) Amounts recognised in profit or loss

	2023 RMB'000	2022 RMB'000
Depreciation expense on right-of-use assets		
– Land	**148**	182
– Properties	**1,609**	1,985
– Vehicle	**–**	9
Interest expenses on lease liabilities	**114**	256

(iv) Others

	2023 RMB'000	2022 RMB'000
Expense relating to short-term lease	**39**	–
Total cash outflow of leases	**1,449**	1,379
Addition of right-of-use assets	**139**	1,450

19. INTANGIBLE ASSETS

	Patent rights RMB'000	Technical know-how RMB'000	Total RMB'000
Cost			
At 1 January 2022 and 31 December 2022	8,122	20,600	28,722
Write-off	(8,122)	(20,600)	(28,722)
At 31 December 2023	–	–	–
Accumulated amortisation and impairment			
At 1 January 2022 and 31 December 2022	8,122	20,600	28,722
Write-off	(8,122)	(20,600)	(28,722)
At 31 December 2023	–	–	–
Carrying amounts			
At 31 December 2023	–	–	–
At 31 December 2022	–	–	–

Patent rights and technical know-how are amortised on a straight-line basis over 7 to 10 years.

20. INTEREST IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Cost of investment in an associate – unlisted	**600**	600
Share of post-acquisition losses and other comprehensive expense	**(484)**	(492)
	116	108

As at 31 December 2023 and 2022, the Group had interest in the following associate:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interest/voting power held by the Group 2023	Proportion of ownership interest/voting power held by the Group 2022	Principal activity
廊坊迪諾思環保科技有限公司 Langfang Denox Environmental & Technology Co., Ltd.* ("**Langfang Denox**")	Company with limited liability	The PRC	Registered capital	40%	40%	Manufacture and sale of DeNOx catalysts for vehicles

* The English name is for identification purposes only.

The financial information of the associate is immaterial to the Group.

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**16,722**	17,363
Work-in-progress	**6,166**	695
Finished goods	**24,942**	26,354
Goods in transit	**172,369**	116,538
	220,199	160,950

During the year ended 31 December 2023, impairment loss reversed on inventories of approximately RMB270,000 (2022: recognised of RMB430,000) was made.

22. TRADE AND RETENTION RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**19,958**	12,109
Retention receivables	**6,141**	6,524
	26,099	18,633
Less: Allowance for impairment of trade and retention receivables	**(2,723)**	(3,131)
	23,376	15,502

The Group allows a credit period of 30 days to 90 days (2022: 30 days to 90 days) to its customers. The following is an ageing 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.

	2023 RMB'000	2022 RMB'000
Within 1 year	**20,111**	8,267
1 year to 2 years	**1,827**	4,842
2 years to 3 years	**1,125**	1,755
Over 3 years	**313**	638
	23,376	15,502

22. TRADE AND RETENTION RECEIVABLES *(continued)*

The Group measures the loss allowance for trade and retention receivables at an amount equal to lifetime ECL. The ECL on trade and retention receivables are estimated using a provision matrix based on ageing analysis by reference to historical repayment pattern of the debtor and an assessment of both the current as well as the forward-looking information at the reporting date. Trade and retention receivables with credit-impaired with gross carrying amounts of RMB2,425,000 as at 31 December 2023 (2022: RMB nil) were assessed individually. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical repayment pattern does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

As at 31 December 2023	**Gross carrying amount RMB'000**
Within 1 year	**17,554**
1 year to 2 years	**1,195**
2 years to 3 years	**281**
Over 3 years	**928**
	19,958

As at 31 December 2022	Gross carrying amount RMB'000
Within 1 year	4,923
1 year to 2 years	4,570
2 years to 3 years	1,093
Over 3 years	1,523
	12,109

The weighted average expected loss rate is 10.43% (2022: 16.80%).

22. TRADE AND RETENTION RECEIVABLES *(continued)*

The movement in the allowance for impairment of trade receivables is set out below:

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**3,131**	3,834
Impairment losses recognised	**122**	–
Impairment losses reversed	**–**	(429)
Write-offs	**(530)**	(274)
At the end of the year	**2,723**	3,131

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 **RMB'000**	2022 RMB'000
Bill receivables	**66**	4,398

The fair value of bill receivables is disclosed in note 6.

As at 31 December 2023 and 2022, financial assets at FVTOCI 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.

The Group entered into factoring arrangements with Baoding Xunna New Energy Technology Co., Ltd. ("**Baoding**"), an independent third party, under which the Group transferred bill receivables with carrying amount of RMB43,265,000 in exchange for cash consideration of RMB42,916,000. Debtors will pay amount due directly to Baoding. The Group has no obligation whatsoever to repay any sums received from Baoding, and it has no rights to any additional sums, regardless of the timing or the level of collection from underlying bill receivables. Baoding has no resource to the Group for either late payment risk or credit risk, the Group has transferred substantially all the risks and rewards of ownership of the bill receivables. The Group derecognised the bill receivables with carrying amount of RMB43,265,000 and the difference between the cash consideration of RMB349,000 is recognised immediately as interest expenses in profit or loss.

All financial assets at FVTOCI are aged within 365 days (2022: 365 days).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Value-added tax recoverable	**411**	1,861
Tender deposits	**4,151**	2,713
Staff advances	**420**	510
Prepayments to suppliers	**6,181**	1,915
Other receivables	**1,623**	754
	12,786	7,753
Less: prepayments classified as non-current assets	**(128)**	(351)
Current portion included in prepayments, deposits and other receivables	**12,658**	7,402

25. BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Bank deposits with original maturity over three months

As at 31 December 2023, bank deposits with original maturity over three months amounting to RMB24,077,000 (2022: RMB46,025,000). The bank deposits carried interest rate ranging from 4% to 5.07% (2022: 4% to 5.07%) per annum as at 31 December 2023.

Restricted bank deposits

Restricted bank deposits are held as guarantee for bidding, product quality and performance of the Group's products. The restricted bank deposit carried interest rate ranging from 0.001% to 1.1% (2022: ranging from 0.001% to 1.1%) per annum as at 31 December 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 0.44% (2022: 0.001% to 0.35%) per annum as at 31 December 2023.

Restricted bank deposits, bank deposits with original maturity over three months and bank balances and cash are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**3,650**	8,660
HK$	**22,596**	25,918
USD	**41,883**	37,882
EUR	**678**	182
	68,807	72,642

26. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**23,183**	11,217

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

	2023 RMB'000	2022 RMB'000
Within 6 months	**19,056**	8,183
6 months to 1 year	**2,115**	1,791
1 year to 2 years	**943**	1,134
Over 2 years	**1,069**	109
	23,183	11,217

The average credit period on purchases is from 30 days to 60 days (2022: 30 days to 60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

27. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Accrued payroll and welfare	**3,950**	4,032
Warranty provision	**1,482**	730
Other tax payables	**971**	105
Other payables and accruals	**4,069**	3,019
	10,472	7,886

The warranty provision represents management's best estimate of the Group's liability under assurance-type warranty granted on plate-type DeNOx catalysts and honey-comb DeNOx catalysts, based on prior experience and industry averages for defective products.

28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advances received to deliver goods	**161,167**	97,307

Receipts in advance are mainly from sales of plate-type DeNOx catalysts and honey-comb DeNOx catalysts. In general, the Group receives certain percentage of the contract sum as advance payment from the customers upon signing of the sales contracts.

The increase in contract liabilities in 2023 were mainly due to more sales contracts were entered and payment received from customers near the end of the reporting period.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is RMB51,232,000 (2022: RMB44,661,000).

29. BORROWING

During the year ended 31 December 2023, the Group has entered into a sale and leaseback arrangement that do not satisfy the requirement of IFRS 15 in relation to certain machinery. The Group has obtained bill receivables from a bank of RMB5,000,000 with an interest bearing at 3.6% per annum (2022: nil) borrowing in respect of such sale and leaseback arrangement.

The borrowing was pledged by certain machinery with a carrying amount of RMB8,830,000.

30. DEFERRED TAXATION

As at 31 December 2023, the Group has unused tax losses of RMB212,806,000 (2022: RMB191,034,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB113,831,000 (2022: RMB110,711,000) that will be expired within five years. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of RMB344,000 (2022: RMB1,852,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB94,888,000 (2022: RMB87,201,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants		
Non-current	**2,053**	2,361
Current	**308**	308
	2,361	2,669

During the year ended 31 December 2021, the Group received a government subsidy of approximately RMB3,080,000 for acquisition of machineries. This amount has been treated as deferred income and is amortised to profit or loss over the useful lives of the related machineries. This policy has resulted in a credit to profit or loss in the current year of approximately RMB308,000 (2022: RMB308,000). As at 31 December 2023, an amount of approximately RMB2,361,000 (2022: RMB2,669,000) remains to be amortised.

32. SHARE CAPITAL

	Number of shares '000	Share capital USD'000
Ordinary shares of USD0.01 each		
Authorised		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	5,000,000	50,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	494,037	31,423

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

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into a new arrangement in respect of office and factory. At the commencement of lease, the Group recognised right-of-use assets and lease liabilities of RMB139,000 (2022: RMB1,450,000) which represents the present value of the lease payments that are not paid at that date.

As detailed in note 29, the Group has obtained bill receivables from a bank of RMB5,000,000 in respect of such sale and leaseback arrangement. The Group has utilised such bills for settlement of trade payables of RMB5,000,000 accordingly.

34. CAPITAL COMMITMENTS

	2023 **RMB'000**	2022 RMB'000
Commitment to contribute capital to an associate (note i)	**1,400**	1,400
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**2,358**	1,115
	3,758	2,515

Note:

(i) In February 2019, Gu'an Denox, a subsidiary of the Company, and two third party individuals established 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. In 2020, the Group contributed an amount of RMB600,000 to Langfang Denox.

35. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB3,118,000 (2022: RMB2,596,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2023.

36. RELATED PARTY TRANSACTIONS

(a) The following persons are related parties of the Group during the years ended 31 December 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

(i) In 2022, 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. During the year ended 31 December 2022, the Group fully paid the lease payment of RMB658,000 to Mr. Chen Qizhao.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the year was as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	**1,174**	1,090
Discretionary bonus	**973**	1,004
Retirement benefits scheme contributions	**226**	167
	2,373	2,261

The remuneration of the directors of the Company and key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1/1/2023 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	New lease arrangement RMB'000	31/12/2023 RMB'000
Lease liabilities (note 18)	**2,942**	**(1,410)**	**114**	**139**	**1,785**
Borrowing (note 29)	**–**	**(542)**	**30**	**5,000**	**4,488**
Interest payable	**–**	**(349)**	**349**	**–**	**–**
	2,942	**(2,301)**	**493**	**5,139**	**6,273**

			Non-cash changes				
	1/1/2022 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	New lease arrangement RMB'000	Lease modification RMB'000	Early termination of leases RMB'000	31/12/2022 RMB'000
Lease liabilities (note 18)	5,932	(1,379)	256	1,450	(313)	(3,004)	2,942

38. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023, the share subscription agreement took place on 26 January 2024 in which the Group agreed to issue 98,807,400 subscription shares at the subscription price of HK$0.048 per share in accordance with the terms and conditions of the share subscription agreement. For details, please refer to the Company's announcement dated 26 January 2024.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		–	–
Amount due from a subsidiary	(a)	**197,043**	194,211
		197,043	194,211
Current assets			
Prepayments, deposits and other receivables		**408**	402
Bank deposits with original maturity over three months		**24,077**	46,025
Bank balances and cash		**24,887**	4,738
		49,372	51,165
Total assets		**246,415**	245,376
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**31,423**	31,423
Reserves	(b)	**201,132**	199,285
Total equity		**232,555**	230,708
LIABILITIES			
Current liabilities			
Accruals and other payables		**1,017**	2,008
Amounts due to subsidiaries		**12,843**	12,660
Total liabilities		**13,860**	14,668
Total equity and liabilities		**246,415**	245,376

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) The amount is unsecured, non-interest bearing and not expected to repay within one year.

(b) Movements in reserves

	Share premium RMB'000	Accumulated losses RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2022	849,824	(692,391)	25,188	182,621
Loss for the year	–	(3,307)	–	(3,307)
Exchange differences arising on translation of financial statements	–	–	19,971	19,971
At 31 December 2022	849,824	(695,698)	45,159	199,285
Loss for the year	–	(1,476)	–	(1,476)
Exchange differences arising on translation of financial statements	–	–	3,323	3,323
At 31 December 2023	849,824	(697,174)	48,482	201,132

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
Denox Investments Holdings Limited	The BVI	Ordinary share	USD1/USD1	100	100	–	–	100	100	Investment holding
Denox Environmental & Technology (HK) Investments Co., Ltd	Hong Kong	Ordinary share	HK$1/HK$1	–	–	100	100	100	100	Investment holding
Beijing Denox#	The PRC	Registered capital	RMB250,000,000/ RMB270,000,000	–	–	100	100	100	100	Plate-type DeNOx catalysts design, distribution and selling
Gu'an Denox*	The PRC	Registered capital	RMB100,000,000/ RMB100,000,000	–	–	100	100	100	100	Plate-type DeNOx catalysts production
Wuxi Denox*	The PRC	Registered capital	RMB10,500,000/ RMB26,000,000	–	–	–	–	–	–	Stainless steel mesh production
Denox International Holdings Limited	The BVI	Ordinary share	USD1/USD1	–	–	100	–	100	–	Investment holding
Denox International (HK) Limited	Hong Kong	Ordinary share	HK$1/HK$1	–	–	100	–	100	–	Investment holding
Denox Technology Holdings Limited	The BVI	Ordinary share	USD1/USD1	–	–	100	–	100	–	Investment holding
Denox Technology (HK) Limited	Hong Kong	Ordinary share	HK$1/HK$1	–	–	100	–	100	–	Investment holding
Denox Environment Europe S.R.L	Italy	Ordinary share	EUR100,000/ EUR100,000/	–	–	100	–	100	–	Chemical products distribution and selling

Being wholly foreign owned enterprise established in the PRC.

* Being registered as a limited liability company under the PRC law.

None of the subsidiaries have non-controlling interests that are material to the Group.

None of the subsidiaries had issued any debt securities at the end of both years or at any time during both years.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	61,540	64,776	71,460	62,791	**126,392**
Gross profit	6,660	15,690	12,223	13,390	**24,528**
Operating loss	(38,886)	(21,523)	(19,261)	(23,596)	**(26,791)**
Loss before income tax	(38,385)	(21,400)	(19,453)	(23,531)	**(25,434)**
Loss for the year attributable to owners of the Company	(40,058)	(21,027)	(12,296)	(23,531)	**(25,434)**

ASSETS AND LIABILITIES

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Total assets	312,094	315,726	325,787	314,399	**371,125**
Total liabilities	51,563	80,290	118,266	125,724	**207,159**
Total equity	260,531	235,436	207,521	188,675	**163,966**

"Annual General Meeting"	the annual general meeting of the Company to be held at Room 1506-1, 12th Floor, Block 2, No. 128 Western South Fourth Ring Road, Fengtai District, Beijing 100070, the PRC on Thursday, 20 June 2024 at 10:00 a.m.
"Articles of Association"	the memorandum and articles of association of the Company (as amended, supplemented or otherwise modified from time to time)
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	Corporate Governance Code contained in Appendix C1 to 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 annual report, references in this annual 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)
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, refers to Ms. Zhao and Advant Performance Limited, a company wholly owned by Ms. Zhao
"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 TiO 2 and V2O5
"Directors"	the directors of the Company
"Group" or "Denox" or "our"	Company and its subsidiaries
"Listing Date"	12 November 2015, being the date on which dealing in the Shares first commenced on the main board of the Stock Exchange
"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 C3 to the Listing Rules
"Ms. Zhao"	Ms. Zhao Shu, the chairlady of the Board, an executive Director and chief executive officer of our Group and is our controlling shareholder
"Nomination Committee"	the nomination committee of the Company
"plate-type DeNOx catalyst"	a plate-type DeNOx catalyst takes metal as the carrier. Surface coating is composed of active ingredient

GLOSSARY

"Reporting Period"	the year ended 31 December 2023
"Remuneration Committee"	the remuneration committee of the Company
"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
"Shareholders"	the holder of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent