2024 ANNUAL REPORT

迪诺斯 Denox Environment

DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED

迪諾斯環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1452

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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. ONG Chor Wei
Dr. WANG Xueqian *(Appointed on 28 June 2024)*
Mr. LI Min *(resigned on 28 June 2024)*

Audit Committee

Ms. CHAN Yeuk Wa *(Chairlady)*
Mr. ONG Chor Wei
Dr. WANG Xueqian *(Appointed on 28 June 2024)*
Mr. LI Min *(resigned on 28 June 2024)*

Remuneration Committee

Dr. WANG Xueqian *(Chairman)*
(Appointed on 28 June 2024)
Ms. ZHAO Shu
Mr. ONG Chor Wei
Mr. LI Min *(resigned on 28 June 2024)*

Nomination Committee

Ms. ZHAO Shu *(Chairlady)*
Mr. ONG Chor Wei
Dr. WANG Xueqian *(Appointed on 28 June 2024)*
Mr. LI Min *(resigned on 28 June 2024)*

Joint Company Secretaries

Mr. LIU Lianchao
Ms. YU Anne

Authorised Representatives under Rule 3.05 of the Listing Rules

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**", stock code: HK01452), I am pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**" or "**Denox**") for the year ended 31 December 2024.

Review on the work of the Group for 2024

According to the 2024 National Economy and Social Development Statistics released by the China National Statistics Bureau, the gross domestic product reached RMB134.91 trillion in 2024, representing a year-on-year growth of 5.0%, demonstrating that the overall economic operation is generally stable, with progress made amid stability. Nevertheless, our country's development is still confronted with complex and severe internal challenges, compounded by adverse effects from external environmental changes, whilst domestic economic operation faced challenges such as insufficient effective demand.

Under the above-mentioned national macro-economic situation, in 2024, with the concerted efforts of all employees, the overall revenue scale and production operation of the Group's industrial catalyst segment continued to remain stable, while the vehicle catalysts segment experienced significant fluctuations. Among which:

In the field of industrial catalysts: industrial catalysts continued to be characterized by wide industry distribution, with small and scattered orders. In 2024, the value of newly signed contracts for industrial catalysts showed a slight increase compared with that in 2023, basically achieving the Group's established goals. While continuing to intensify its market development efforts for industrial catalysts in various industrial fields, the Group continued to reduce product manufacturing cost, improve product gross profit margin, and strengthen the development of sales channels in the international market;

In the field of vehicle catalysts: in 2024, the Group's OEM catalyst products of natural gas-powered vehicles experienced a substantial decline, while vehicle aftermarket catalysts were relatively steady with limited total amount. The Group made disclosure in the 2024 interim report that it will make strategic adjustment to the vehicle catalyst segment. By the end of 2024, the Group decided to continuously adopt a contractionary strategy for the vehicle catalyst segment to further cut down various expenditures such as research and development costs.

Outlook to the work of the Group for 2025

(1) Continue to carry out the work of product cost reduction and efficiency improvement, as well as product gross profit margin and product quality enhancement

The Group will further reduce product manufacturing cost and enhance product competitiveness by controlling raw material procurement, further optimizing production process and formula for mature products, and further upgrading equipment.

(2) Continue to carry out the technological research and development of new products in the industrial field

On the basis of traditional plate-type catalysts and honey-comb catalysts products, the Group will further develop catalyst production process and formula, with research and development being focused on highly porous catalysts, thin-walled catalysts, high-temperature catalysts, low-temperature catalysts, CO catalysts, corrugated plate catalysts.

(3) Continue to carry out overseas market cooperation and expansion of products

In recent years, the Group has been fully benchmarked against the peer competitors in the domestic industrial catalyst market, and recorded a basically stable increase in the market share. In 2025, the Group will strive to further improve the per capita contract amount of the market sales team and reduce the per capita sales expenses per unit contract amount. The Group has already laid a solid foundation by expanding into overseas markets for over a year, and will strive to achieve further breakthrough in overseas contract amounts in 2025.

Finally, on behalf of the Board, I would like to thank all the staffs for their dedication and contribution and all the Shareholders and cooperative partners for their support and understanding. The Group will continue to strengthen product costs and expenses control, new product research and development and market expansion, to strive for continuous improvement for the Group's operating performance.

Yours faithfully,

Zhao Shu
Chairlady

28 March 2025

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 principles and code provisions set out in the CG Code as set out in Appendix C1 to the Listing Rules as its own corporate governance code to govern its corporate governance practices. Throughout the Reporting Period, the Company has complied with all the relevant code provisions of the CG Code save and except for the deviation from code provision C.2.1 of Part 2 of the CG Code as set out in the section headed "Chairlady 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 the aim of 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.

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability fosters a sense of commitment and emotional engagement with the Group's mission.

Directors

Board Composition

As at the date of this annual report, the Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors, 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. ONG Chor Wei
Dr. WANG Xueqian *(appointed on 28 June 2024)*

Dr. Wang Xueqian has confirmed that he (i) has obtained legal advice referred to under Rule 3.09D of the Listing Rules on 28 June 2024; and (ii) understands his obligation as a director of a listed issuer under the Listing Rules.

The biographical information of the Directors are set out and disclosed in the section headed "Directors and Senior Management" on pages 44 to 47 of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Directors, none of the Director has any personal relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, the chairlady of the Board and chief executive officer of the Company.

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 coordinating the daily operations and management of the Company are delegated to the executive Directors and senior management. They report periodically to the Board of their work and business decisions.

In addition, the operation of the senior management and our Board, which is 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 the Board's composition.

All Directors must dedicate sufficient time and attention to the Group's affairs. 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 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 Directors in assessing the possible contribution by the 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 during the Reporting Period is set out below:

	Number of Meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	2024 Annual general meeting
Executive Directors					
Ms. ZHAO Shu	4/4	N/A	2/2	2/2	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. ONG Chor Wei	4/4	2/2	2/2	2/2	1/1
Dr. WANG Xueqian[1]	2/4	1/2	N/A	N/A	N/A
Mr. LI Min[2]	1/4	1/2	1/1	1/1	1/1

Notes:

1. Dr. WANG Xueqian was appointed as an independent non-executive Director on 28 June 2024.

2. Mr. LI Min resigned as an independent non-executive Director on 28 June 2024.

In addition, in order to facilitate open discussion with all independent non-executive Directors, the chairlady of the Board had also held one meeting with all the independent non-executive Directors without the presence of other 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 (https://www.china-denox.com) and the Stock Exchange (https://www.hkexnews.hk) and will be updated, when 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 Reporting Period.

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 them to express their special views. If there are any inconsistency, 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.

The Board shall review the implementation and effectiveness of the aforementioned mechanism on an annual basis.

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. Each newly appointed Director will receive an induction package covering the regulatory obligations as a director of a listed company on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. The Company shall provide updates to the Directors and senior management on the material changes to the Listing Rules and other applicable regulatory requirements. The circulars and guidance notes from Stock Exchange may be circulated 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 Reporting Period.

All Directors have participated in appropriate continuous professional development programs and/or reading relevant materials during the Reporting Period 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 encouraged to attend relevant training courses at the Company's expenses. All Directors are requested to provide the Company with their respective training records during the Reporting Period 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 are performed by Ms. Zhao Shu, who is also the chairlady of the Board. As Ms. Zhao Shu has extensive experience in the Group's business operations and management in general, the Board considers that it 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 one non-executive Director and 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' prior 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' prior 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. Mr. Li Ke and Ms. Chan Yeuk Wa shall retire by rotation, and being eligible, offer themselves for re-election at the Annual General Meeting.

In accordance with Article 83(3) of the Articles of Association, any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall be eligible for re-election at that meeting. Dr. Wang Xueqian shall retire by rotation, and being eligible, offers himself for re-election at the 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).

DIRECTORS' RESPONSIBILITIES

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.

BOARD COMMITTEES

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 (https://www.china-denox.com) and the Stock Exchange (https://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 (https://www.china-denox.com) and the Stock Exchange (https://www.hkexnews.hk), respectively. 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. Ong Chor Wei and Dr. Wang Xueqian. Ms. Chan Yeuk Wa and Mr. Ong Chor Wei have appropriate professional qualification under Rules 3.10(2) and 3.21 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 review the remuneration of the external auditor, to monitor their independence and objectivity, 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 for the year ended 31 December 2023 and the interim results for the six months ended 30 June 2024 and their respective 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 external auditors. The Audit Committee has met twice with the Company's external auditors during the Reporting Period.

The Company's annual results for the Reporting Period 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 (https://www.china-denox.com) and the Stock Exchange (https://www.hkexnews.hk), respectively. The Remuneration Committee consists of three members, being Dr. Wang Xueqian, Ms. Zhao Shu and Mr. Ong Chor Wei, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Dr. Wang Xueqian.

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 executive Directors and senior management, including benefits in kind, pension rights and compensation payments (e.g. compensation payable for loss or termination of their office or appointment); (iii) making recommendations to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (v) reviewing the Share Scheme under Chapter 17 of the Listing Rules.

The Remuneration Committee held two meetings during the Reporting Period, with all members thereof present, to review and make recommendations to the Board on the existing remuneration packages of executive Directors and senior management, the remuneration of non-executive Directors, the remuneration of Dr. Wang Xueqian as an independent non-executive Director and to review the share option scheme under Chapter 17 of the Listing Rules. 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) by bands for the Reporting Period are set out below:

	Number of Individuals	
The remuneration bands	**2024**	2023
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 (https://www.china-denox.com) and the Stock Exchange (https://www.hkexnews.hk), respectively. The Nomination Committee consists of three members, being Ms. Zhao Shu, Mr. Ong Chor Wei and Dr. Wang Xueqian, 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: (i) reviewing the structure, size and composition (including the skills, knowledge, professional experience, gender, cultural and educational background, 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 re-appointment 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 two meetings during the Reporting Period, with all members thereof present, to assess the independence of independent non-executive Directors, to recommend the appointment of Dr. Wang Xueqian to the Board 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. An environmental policy has been adopted by the Group for implementation of environmentally friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principle of recycling and reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins and double-sided printing and copying.

During the Reporting Period, the Group has complied with the 'comply and explain' provisions set out in the ESG Reporting Guide. The details of the ESG performance of the Group as set out in the ESG section of this annual report.

The Board will review the environmental policy from time to time and consider implementing further environmentally friendly measures and practices in the operation of the Group's businesses.

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 2024, 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

During the Reporting Period, the fees paid/payable to CL Partners CPA Limited for the audit of the consolidated financial statements of the Group and any non-audit services are set out below: –

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

No non-audit services were provided by CL Partners CPA Limited to the Company for the Reporting Period.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control system of the Group and is responsible 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 a 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 results of the review have 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 during the Reporting Period.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

(i) is required to disclose inside information as soon as reasonably practicable in accordance with the requirements under the SFO and the Listing Rules;

(ii) conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

(iii) has included in the code of conduct of the Company a strict prohibition on the unauthorised use of confidential or inside information; and

(iv) ensures, through the Company's own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended 31 December 2024 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 that aims to govern and fairly address 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 will 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.

The Audit Committee has reviewed such policy and is of the view that no incident of fraud or misconduct that has material effect on the Group's financial statements or overall operations during the Reporting Period 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 will be reviewed and updated by the Audit Committee periodically to align with the applicable laws and regulations in relation thereto. We were not aware of any anti-bribery incident by our employees in relation to our customers during the Reporting Period and up the date of this annual report.

Board Diversity

The Company has adopted the Board Diversity Policy, which sets 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, cultural background, educational background, skills, knowledge, 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 which complies with the requirements under Rule 13.92 of the Listing Rules. 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 2024, the gender ratio in our workforce (including senior management) for male and female employees were 78% and 22%, 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 2024, 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 "Joint Company Secretaries" 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 (as revised and amended from time to time). However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association to include 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 (https://www.hkexnews.hk) are also published on the Company's website (https://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

There was no change in the Company's constitutional documents during the Reporting Period. The latest version of the Company's Articles of Association is available on the websites of the Company (https://www.china-denox.com) and Stock Exchange (https://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 2024 and outlook on the work for 2025

I. WORK OVERVIEW OF THE GROUP FOR 2024

According to the preliminary calculations, the PRC gross domestic product reached RMB134.91 trillion in 2024, representing a year-on-year growth of 5.0%, with the growth rate remaining unchanged compared to last year. In 2024, the total social electricity consumption increased by 6.8% year-on-year, and the national accumulated installed capacity of power generation reached 3.35 billion kilowatts, representing a year-on-year increase of approximately 15.0%. However, the proportion of installed capacity of thermal power in China's total installed power capacity decreased from 77.7% in 2007 to 44.1% in 2024. In view of fundamental changes in China's energy structure, this "new normal situation" of the energy structure adjustment obviously intensified competition in the catalyst industry. Competitors in the industry generally faced overcapacity of mature products, heavy operation pressure, and pressure for upgrading product application scenarios and technologies.

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

1. Current market situation

(1) Electric power field

The thermal power catalyst market continues to maintain a competitive pattern with numerous manufacturers, fierce competition, and low gross profit level. Although the proportion of installed capacity of thermal power continues to decline, the replacement of catalysts stored in thermal power plants and the addition of a small number of thermal power units still remain the largest market for denitrification catalysts at present, which is difficult to be influenced. A number of catalyst manufacturers are attaching great importance to the catalyst market in this field and actively participating in the market.

(2) Other industrial sectors

2025 is the final year of the national "14th Five-year Plan". Nitrogen oxides emission reduction of non-electric industries including metallurgy and cement industries will also be in strict compliance with relevant emission standards. At the same time, waste incineration, biomass power generation, gas-fired power generation, etc. will also become important driving forces for the growth of the denitrification catalyst market. In addition to denitrification catalysts, there will also be a significant increase in demand for carbon monoxide ("**CO**") catalysts in the metallurgical industry and non-methane hydrocarbon ("**NMHC**") catalysts in the petrochemical industry. Meanwhile, the Group has always believed that the market demand for new catalysts is greatly related to the industry's profitability level, the affordability of enterprise pollution control, and the reward of enterprise pollution control. In overall, the Group projects that the market for denitrification catalysts outside of thermal power will remain stable or show a slight growth momentum in 2025.

2. The Group's key work on industrial catalyst products

(1) Marketing and sales efforts

In 2024, the Group has completed catalyst technical solutions for more than 1,500 projects, submitted nearly 400 official bids with customers such as power generation companies, local power plants and other industries, and entered into a total of over 150 supply contracts (some of which were not subject to bidding procedures) throughout the year. In light of more intense market competition in 2024, the Group has recorded a significant increase in its overall market sales workload, and maintained a high level of actual signed orders.

An emerging catalyst market that the Group focused on in 2024 is CO catalysts in the metallurgical industry. Based on current CO catalyst prices, the CO catalyst market is a market of tens of billions, additionally CO catalysts also require regular replacement, and has attracted high attention from major catalyst manufacturers.

After in-depth exchanges with customers, the Group also understands that although the reduction of CO emissions in the metallurgical industry is supported by national and local policies, the metallurgical industry in general has not been very profitable in recent years. In the process of implementing the trial and procurement of CO catalysts, steel mills have either purchased CO catalysts from general engineering contractors (who are often required to advance funds) or have requested for contractual energy management to solve their own financial constraints. At the same time, the maturity of the CO catalyst technology needs to be tested. Taken together, the Group has been adopting a proactive and cautious approach to participate in this market.

It is worth mentioning that the Group's market development efforts in 2024 were:

- The Group has signed an annual group procurement agreement with a major state-owned enterprise for its plate-type catalysts;
- The specifications and models of plate-type catalysts were further improved;
- The Group's catalysts for dioxin treatment gained further recognition in the market;
- The Group's honey-comb DeNOx catalysts achieved breakthroughs in the application performance of the shipbuilding industry and the waste incineration power generation industry;
- The Group's high-temperature and high-porosity DeNOx catalysts achieved a performance breakthrough;
- The Group's corrugated plate-type catalysts achieved breakthroughs in both domestic and overseas applications.

(2) Product manufacturing

The total amount of catalysts produced by the Group in 2024 continued to improve in compared to 2023. The Group's safety and production departments further strengthened the control of product manufacturing costs through the optimization of the production process and improvement of the production equipment, with the product manufacturing costs showing a more obvious downward trend. The Group's overall production task saturation and operating rate further improved during the Reporting Period.

The installation and commissioning of the Group's corrugated plate-type catalyst production line was completed in 2024. During the Reporting Period, the Group organized technical forces to break through a series of technical difficulties in the localization process of the products in terms of production equipment, production process, and production formula. As at the date of this annual report, the Group's corrugated plate-type products have been officially launched, and the Group has also signed new orders from domestic and international markets.

(II) Vehicle catalyst business

In the 2024 interim report, the Group disclosed that there was a relatively significant decline in OEM orders for vehicle catalysts, which was mainly due to the impact of a single customer not placing batch catalyst orders for its mature engine models. The Group's overall orders for the provision of catalyst products in the vehicle aftermarket were limited. After careful consideration, the Group made a strategy to further reduce its investment in technology research and development in the vehicle catalyst OEM market at the end of 2024. The research and development staff and equipment previously deployed by the Group have been further transformed into strengthening the research and development efforts of catalyst products for the industrial sector. As the vehicle catalysts adopt the precious metal coating technology route, the key new catalyst products for the industrial sector currently being developed by the Group, including CO catalysts, NHMC catalysts and hydrogen cyanide ("**HCN**") catalysts, are all based on this vehicle coating catalyst technology route. The technological achievements of the Group's research and development investment in vehicle catalysts over the years will be transformed into the industrial sector.

II. KEY WORK ARRANGEMENTS OF THE GROUP FOR 2025

(I) Industrial catalyst business

1. The Group will increase market development efforts, including:

   (1) Focus on the demand for catalysts in emerging environmental protection industries, such as waste incineration power generation, biomass power generation, gas power generation and metallurgical industry and other fields.

   (2) Strengthen cooperation with existing customers and improve customer loyalty. Solve problems encountered by our customers in a timely manner, and provide personalized solutions against the needs from our customers. Strive for long-term orders from customers by providing high-quality products and services.

   (3) Participate in domestic and foreign product exhibitions and industry conferences, especially focusing on opportunities to participate in the promotion and display of new products including CO catalysts, HCN catalysts, and NHMC catalysts. Maintain product promotion via online search platform.

2. On the basis of the work already performed in 2024, the Group will continue to strengthen the research and development, trial production and mass production of industrial HCN catalysts, CO catalysts for metallurgy and gas units, thin-walled honey-comb DeNOx catalysts and corrugated plate-type catalysts and other products. In particular, we will focus on strengthening the product development and marketing of the Group's advantageous corrugated plate-type catalysts and series of industrial coated catalysts (including CO catalysts, NHMC catalysts, HCN catalysts, etc.), with a view to achieving more market performance in 2025.

3. The Group will continue to strengthen the development of new products, and enhance the cooperation with scientific research institutes on new product development, so as to gradually increase the market share of the above-mentioned new catalyst products.

4. The Group will continue to strengthen the efforts on control of manufacturing costs of mature products. On the basis of the achievements made in 2024, the Group will implement various specific measures to further reduce the manufacturing costs of the Group's products, aiming to further improve the competitiveness of the products.

5. The Group will further upgrade and transform production equipment, improve the automation level of equipment, reduce the energy consumption of major equipment, and thus reducing the manufacturing costs of products.

6. The Group will increase the list of qualified raw material suppliers, adopt bulk purchase of raw materials and bidding procurement of raw materials, etc., aiming at striving to further reduce the purchase price of raw materials.

(II) Vehicle catalyst related products

The Group will resolutely implement the reduction strategy on vehicle catalysts as determined by the Group, and accelerate the transformation of research and development personnel and equipment to the research and development of catalyst products for the industrial sector. The Group will no longer invest more personnel and funds in catalysts for the vehicle OEM market, and only maintain existing customers and existing orders. The sales of catalysts in the vehicle aftermarket will be carried out as normal. The Group conducts the vehicle aftermarket catalyst business based on its financial accounting for the vehicle business, and the vehicle aftermarket catalyst business will be carried out on the basis of the principle of being able to bear its own profits and losses or making profit contributions to the Group.

(III) Other key work of the Group

In 2025, the Group will further strengthen its other operation and management work, mainly includes:

1. The Group will continue to pay attention to the impact of the expanding global trade war on the Group's export business, capital market and exchange rate, so that we can make timely judgments and adjust its strategy and business;

2. The Group's overseas market strategy will be systematically summarized by the mid of 2025, including the analysis of overseas business orders and the actual profit situation of overseas products, after which further arrangements will be made to adjust and optimize the Group's overseas market strategy;

3. The Group will further control and optimize the expenditure on selling expenses, research and development expenses and administrative expenses, while making concerted efforts through various channels to reverse its loss-making situation and steer the Group back to profitability.

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:

	2024		2023	
	RMB'000	**%**	RMB'000	%
Plate-type DeNOx catalysts	**53,493**	**49.1**	58,528	46.3
Honey-comb DeNOx catalysts	**49,794**	**45.7**	21,143	16.7
DeNOx catalysts for vehicles	**5,676**	**5.2**	46,721	37.0
Total	**108,963**	**100.0**	126,392	100.0

The Group recorded a total revenue of approximately RMB109.0 million for the Reporting Period, representing a decrease of 13.8% as compared to approximately RMB126.4 million for the same period in 2023.

Plate-type DeNOx catalysts

Revenue generated from sales of plate-type DeNOx catalysts decreased to approximately RMB53.5 million for the Reporting Period, representing a decrease of 8.5% as compared to approximately RMB58.5 million for the same period in 2023, which was primarily attributable to the decrease in average selling price of plate-type DeNOx catalysts during the Reporting Period. The average selling price of plate-type DeNOx catalysts per cubic metres ("**m^3**") decreased by approximately 23.6% from RMB14,353 per m^3 in 2023 to RMB10,968 per m^3 for the Reporting Period, while the sales volume of plate-type DeNOx catalysts increased by approximately 18.8% from 4,608 m^3 in 2023 to 5,472 m^3 for the Reporting Period. The plate-type DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc.

Honey-comb DeNOx catalysts

Revenue generated from sales of honey-comb DeNOx catalysts increased by 136.0% from approximately RMB21.1 million for the same period in 2023 to approximately RMB49.8 million for the Reporting Period, which was primarily due to the increase in sales volume of honey-comb DeNOx catalysts during the Reporting Period. The average selling price of honey-comb DeNOx catalysts per m^3 decreased by approximately 30.9% from RMB20,902 per m^3 in 2023 to RMB14,441 per m^3 for the Reporting Period, and the sales volume of honey-comb catalysts increased by approximately 204.5% from 1,143 m^3 in 2023 to 3,481 m^3 for the Reporting Period. The honey-comb DeNOx catalysts market was mainly derived from power plants, steel plants, cement plants, etc.

DeNOx catalysts for vehicles

During the Reporting Period, the Group recorded revenue from sales of DeNOx catalysts for vehicles of approximately RMB5.7 million which represented a decrease of 87.8% as compared with the revenue of approximately RMB46.7 million for the same period in 2023. The significant decrease in the revenue from DeNOx catalysts for vehicles as compared to the same period in 2023 was primarily due to the significant decrease in sales orders of vehicle catalysts.

Gross profit

During the Reporting Period, the Group recorded a gross profit of approximately RMB27.5 million representing an increase of 12.2% as compared to the same period in 2023 due to the increase in the production volume of honeycomb 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 2023, mainly due to the increased marketing efforts in promoting our products to overseas markets, representing 22.7% and 26.6% of the Group's total revenue from contracts with customers in 2023 and 2024, respectively.

Administrative expenses

Administrative expenses mainly consist of employee benefit expenses, depreciation and amortisation, research and development expenses and professional fees. The Group's administrative expenses increased by 57.1% from approximately RMB16.8 million in 2023 to approximately RMB26.4 million for the Reporting Period which was primarily attributable to increase in bonuses paid to senior management, share issuance expenses and overseas operating expenses, etc.

Finance income/(costs)

Finance income includes interest income on bank balances, restricted bank deposits and bank deposits with original maturity over three months. Finance costs includes interest expenses on lease liabilities, borrowing and bill receivables. The Group recorded net finance income of approximately RMB0.9 million for the Reporting Period as compared to approximately RMB1.4 million in the same period in 2023.

Loss attributable to owners of the Company

As a result of the foregoing and an impairment loss recognised for property, plant and equipment, the loss attributable to owners of the Company increased by 46.8% from approximately RMB25.4 million in 2023 to approximately RMB37.3 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	
	2024	2023
Current Ratio *(Note 1)*	**1.3 times**	1.6 times
Quick Ratio *(Note 2)*	**0.3 times**	0.5 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 1.6 times as at 31 December 2023 to 1.3 times as at 31 December 2024 and quick ratio decreased from 0.5 times as at 31 December 2023 to 0.3 times as at 31 December 2024. Such decrease was mainly due to the increase in down payment from customers of approximately RMB161.2 million as at 31 December 2023 to approximately RMB238.5 million as at 31 December 2024 because more sales contracts were signed in the second half of 2024.

Return on equity and return on total assets

The Group did not record a return on equity and return on total assets in 2023 and 2024, as it has recorded a loss attributable to owners of the Company for the years ended 31 December 2023 and 2024.

Liquidity and Capital Resources

The Group's financial position remains solid and the Group possessed sufficient financial resources to meet its commitments and working capital requirements in the foreseeable future. As at 31 December 2024, the Group had net current assets of approximately RMB90.1 million (2023: approximately RMB122.1 million) of which cash and cash equivalents were approximately RMB18.1 million (2023: approximately RMB44.3 million) and were denominated in Euro, Hong Kong Dollars, RMB and United States Dollars as at 31 December 2024.

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was 2.7% as of 31 December 2024 (2023: 1.2%). The increase in gearing ratio was mainly due to increase in bank borrowings.

Use of net proceeds from the Listing

As at 31 December 2024, the remaining balance of the unutilised amount of net proceeds from the listing (the "**Listing**") of the shares of the Company on the Stock Exchange on 12 November 2015 of approximately RMB11.3 million were deposited into interest bearing bank accounts with licensed commercial banks. After the Listing, a part of these net proceeds have been 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	Remaining balance of the unutilized net proceeds (immediately after the 2nd re-allocation of net proceeds on 28 December 2022) *(Note 1)* RMB'million	Remaining balance of the unutilized net proceeds as at 31 December 2023 RMB'million	Utilized net proceed during the Reporting Period RMB'million	Remaining balance of the unutilized net proceeds as at 31 December 2024 RMB'million	Expected timeline for fully utilization of the remaining net proceeds *(Note 2)*
Development of DeNOx catalysts for diesel-powered vehicles	78.6	78.6	75.1	–	–	–	–	N/A
Acquisition of potential target companies in the Group's industry that can help to expand the Group's market coverage or key raw material suppliers	46.2	21.9	21.9	–	–	–	–	N/A
Research and development	17.1	17.1	33.2	16.1	12.3	1.6	10.7	Fourth quarter of 2025
Expansion of the Group's sales network and establishment of the Group's regional sales offices in China as well as Europe	6.9	6.9	5.9	–	–	–	–	N/A
Replacement of the Group's No. 1 production line	5.1	3.5	3.5	–	–	–	–	N/A
Working capital and general corporate purposes	17.1	43.0	31.4	10.0	7.0	6.4	0.6	Fourth quarter of 2025
Total	171.0	171.0	171.0	26.1	19.3	8.0	11.3	

Note 1: The utilisation of the net proceeds and the use of net proceeds for the remaining balance of the unutilised net proceeds from the Listing was updated. For details, please refer to the announcements of the Company dated 28 December 2020 and 28 December 2022 respectively.

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

Share Subscription Agreement and its use of net proceeds

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

The subscription price of HK$0.048 per subscription share represents a discount of approximately 4.0% to the closing price of HK$0.050 per share as quoted on the Stock Exchange on 6 November 2023, being the date of the share subscription agreement.

The Directors consider that the net proceeds from the share subscription could alleviate the funding pressure and generally improve the financial position of the Group. The share subscription can optimise the capital structure and reduce the financial risk of the Group by broadening the capital reserve channels of the Company.

During the Reporting Period, the net proceeds from the share subscription have been used as to (i) approximately 30% of the net proceeds (being HK$1,008,826.6) for the development of coated products; (ii) approximately 50% of the net proceeds (being HK$1,681,377.6) for the expansion of overseas markets, including setting up branches in Italy, India and the United States and employing local staff therein; and (iii) approximately 20% of the net proceeds (being HK$672,551.0) for general working capital, including employee remuneration and material costs. All of the net proceeds from the share subscription have been fully utilised during the Reporting Period.

Borrowings

The Group has outstanding borrowings of approximately RMB11.7 million (which was denominated in RMB) as at 31 December 2024 (2023: RMB4.5 million).

Pledge of Assets

As of 31 December 2024, the Group has pledged certain machineries with the net carrying amount of approximately RMB8.8 million (2023: RMB8.8 million) and certain land and property with net carrying amount of RMB11.6 million (2023: Nil).

Capital expenditures

The Group incurred capital expenditures to expand its operations, maintain its equipment and increase its operational efficiency. During the Reporting Period, the Group had invested approximately RMB8.5 million (2023: approximately RMB0.3 million) for the purchase of property, plant and equipment. These capital expenditures were financed by internal resources of the Group.

Capital commitment

As at 31 December 2024, the Group had capital commitment amounting to RMB1.4 million (31 December 2023: RMB1.4 million) for capital contribution to an associate company, Langfang Denox Environmental & Technology Co., Ltd., which is principally engaged in development and manufacture of DeNOx catalysts for vehicles.

As at 31 December 2024, the Group had capital commitment for acquisition of property, plant and equipment amounting to approximately RMB2.8 million (31 December 2023: RMB2.4 million).

Contingent liabilities

The Group did not have any material contingent liabilities, guarantees and litigation as at 31 December 2023 and 2024.

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 (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2024), no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period and up to the date of this annual report.

There were no future plans authorised by the Board for other material investments or additions of capital assets of the Group during the Reporting Period and up to the date of this annual report.

Employees and Remuneration Policy

As at 31 December 2024, the Group had 184 employees (2023: 189 employees). The majority of our employees are based in the PRC. 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. For further information of such share option scheme, please refer to section headed "Share Option Scheme" in the Directors' Report 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

The Board is not aware of any other important event affecting the Group that have taken place subsequent to 31 December 2024 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 m3 has experienced a drop from RMB25,080 per m3 in 2014 to RMB12,758 per m3 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 2024, 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 6.9% and 28.8% 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 relating to certain of its bank deposits which were denominated in Euro, Hong Kong Dollars and United States Dollars. The Group did not carry out any hedging activities against foreign currency risk during the Reporting Period. Any substantial fluctuation in the exchange rate of foreign currencies against RMB may have a financial impact to the Group. The Group believes that the Group have sufficient foreign currencies to meet its foreign exchange needs and will take effective measures to prevent foreign exchange risks should the need arise.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, particularly, those that 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 the 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, rules and regulations.

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC 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, rules and regulations which have a significant impact on the business and operations of the Group during the Reporting Period.

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 a safe, effective and congenial working environment. Adequate arrangements, training, and guidelines are implemented to ensure the working environment is healthy and safe. The Group also provides 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 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 Reporting Period are set out in the accompanying financial statements on page 138.

Final Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (2023: Nil).

Closure of Register of Members

For determining the entitlement of the Shareholders to attend and vote at the Annual General Meeting to be held on Friday, 20 June 2025, the register of members of the Company will be closed from Tuesday, 17 June 2025 to Friday, 20 June 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 16 June 2025.

DIRECTORS' REPORT

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 206.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the Reporting Period 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 2024, the aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 6.9% and 28.8% 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 15.8% and 34.2% 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 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 in issue (excluding treasury shares, if any) as at the date of this annual report, 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 (excluding treasury shares, if any) 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 (excluding treasury shares, if any); 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 approximately six months.

(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 2023 and 2024, 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 2024 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 (excluding treasury shares, if any) 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. ONG Chor Wei
Dr. WANG Xueqian *(appointed on 28 June 2024)*

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, Mr. Li Ke and Ms. Chan Yeuk Wa shall retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

In accordance with Article 83(3) of the Articles of Association, any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. As such, Dr. Wang Xueqian shall retire by rotation and, being eligible, offers himself 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 publication of the 2024 interim report of the Company and up to the date of this annual report are set out below:

1. Mr. Li Min has resigned as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee on 28 June 2024; and

2. Dr. Wang Xueqian has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee on 28 June 2024.

3. Ms. Chan has been appointed as an independent non-executive director of Goertek Microelectronics Inc. since December 2024.

Save as disclosed above and in this annual report, the Company is not aware of any changes in the information of our Directors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Please refer to the section headed "Directors and Senior Management" on pages 44 to 46 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/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent as at 31 December 2024 and up to the date of this annual report.

Directors' Service Contracts

All executive Directors have entered into service contracts with the Company for an initial term of three years from the date of his/her appointment until terminated in accordance with the terms of the service contracts. All non-executive Directors (including the independent non-executive Directors) have signed a letter of appointment with the Company with no specific term from the date of his/her appointment 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 service contract or letter of appointment at any time by giving the other not less than three months or one month's notice in writing (where applicable).

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).

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 35 to the consolidated financial statements.

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

As at 31 December 2024, 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/Nature of Interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Ms. Zhao	Beneficial owner	24,612,477 (L)	4.15%
	Interest in controlled corporation *(Note 3)*	251,839,009 (L)	42.48%
Mr. Li Xingwu ("**Mr. Li**")	Interest in controlled corporation *(Note 4)*	51,075,015 (L)	8.62%
Mr. Li Ke	Interest in controlled corporation *(Note 5)*	2,962,474 (L)	0.50%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The percentages are calculated based on 592,844,400 Shares in issue (excluding treasury shares, if any) as at 31 December 2024.
3. These 251,839,009 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 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 2024, 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 2024, so far as the Directors were aware of, the following persons' (other than the Directors and chief executive of the Company) or entities had interests or short position in the Shares and underlying Shares or debentures of the Company, being interests of 5% or more, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Substantial Shareholder	Capacity / Nature of Interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Advant Performance Limited	Beneficial owner	251,839,009 (L)	42.48%
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 592,844,400 Shares in issue (excluding treasury shares, if any) as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) or entities having an interest or short position in the Shares and underlying Shares or debentures of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Equity Linked Agreements

Save as disclosed in the section headed "Share Subscription Agreement and its use of net proceeds" and "Share Option Scheme" in this annual report, no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2024 and up to the date of this annual report.

Finance Lease Agreement

On 25 October 2023, Maxwealth Financial Leasing Co., Ltd.* (永赢金融租賃有限公司), a wholly-owned subsidiary of Bank of Ningbo Co., Ltd.* (寧波銀行), as lessor has entered into a finance lease agreement with Beijing Denox Environmental & Technology Co., Ltd.* (北京迪諾斯環保科技有限公司), an indirect wholly owned subsidiary of the Company, as lessee, pursuant to which (i) the lessee has agreed to sell the leased assets to the lessor at a consideration of RMB5,000,000 (equivalent to approximately HK$5,454,000); and (ii) the lessor has agreed to leaseback the leased assets to the lessee for a term of 24 months for a total lease payment of RMB5,362,858 (equivalent to approximately HK$5,849,806). 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 pages 35 to 37 of this annual report, at no time during the year ended 31 December 2024 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 of Significance

No transactions, arrangements or contract of significance to which the Company, its holding 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 of Significance

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group had been entered 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 coverage 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, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Zhao Shu, 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), 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 2024.

Other than the Group's business, none of the executive Directors or their respective associates have any interest in any business that competes or is likely to compete with the Group's business during the year ended 31 December 2024.

Related Party Transactions

Details of the related party transactions entered into by the Group during the year ended 31 December 2024 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 2024 (2023: 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 (including sale or transfer of treasury shares during the Reporting Period. The Company did not have any treasury shares as at 31 December 2024.

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.

Continuing Disclosure Obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules

The Company did not have any continuing obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the Reporting Period.

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 (2023: Nil).

Review of Annual Report by the Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Dr. Wang Xueqian. Ms. Chan Yeuk Wa and Mr. Ong Chor Wei are independent non-executive Directors with appropriate professional qualification under Rules 3.10(2) and Rule 3.21 of the Listing Rules. Ms. Chan Yeuk Wa is the chairlady of the Audit Committee.

The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2024 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.

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. The consolidated financial statements of the Group for the Reporting Period have been audited by CL Partners CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

Save as disclosed above, there have been no change in the auditor of the Group in any of the preceding three years.

On behalf of the Board
Zhao Shu
Chairlady

Hong Kong, 28 March 2025

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Ms. Zhao Shu (趙姝), aged 59, 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 26 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 57, 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 58, 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 54, 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 has been appointed as an independent non-executive director of Goertek Microelectronics Inc. since December 2024. Ms. Chan obtained a Master of Business Administration degree from the University of South Australia in 2004.

Mr. Ong Chor Wei (王祖偉), aged 54, 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 34 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 was a non-executive director of GBA Holdings Limited (which is listed on the main board of the Stock Exchange, stock code: 0261) from January 2022 to April 2022, and was re-designated to an executive director on 7 April 2022.

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).

Dr. Wang Xueqian (王學謙), aged 49, was appointed as an independent non-executive Director on 28 June 2024. Dr. Wang is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Dr. Wang has extensive experience in the field of environmental engineering, particularly in areas of waste gas purification, resource utilization, and metallurgical solid waste management, as well as in leading and directing impactful research projects. He is currently a professor and doctoral supervisor at the School of Environmental Science and Engineering, Kunming University of Science and Technology* (昆明理工大學環境科學與工程學院). He was appointed as a "Changjiang Scholar" by the Ministry of Education of the People's Republic of China* (中華人民共和國教育部) in 2023 and named as a "Yunling Scholar" supported by the Yunnan Provincial Talented Person Plan* (雲南省興滇英才計劃) in 2022. He has also been identified as a young and middle-aged academic and technical leader in Yunnan Province* (雲南省中青年學術和技術帶頭人) in 2020.

Dr. Wang focuses his research on the purification and resource utilization of metallurgical and chemical waste gases, as well as the disposal and resource utilization of metallurgical solid waste. He has led more than 30 research projects, including National 863 Program projects* (國家863計劃課題), National Key R&D Program projects* (國家重點研發計劃課題), National Natural Science Foundation of China projects* (國家自然科學基金), Provincial and Ministerial-level scientific research projects* (省部級科研項目), and enterprise-commissioned projects* (企業委託項目). Dr. Wang has published over 150 papers, with more than 60 papers published as first or corresponding author in SCI-indexed journals. He has also published 1 monograph, obtained 62 authorized invention patents (including 3 international patents), and is the first inventor on 35 China invention patents. Dr. Wang received 1 National Technology Invention Award (Second Class) (國家技術發明二等獎) and 11 provincial and ministerial-level First-Class Awards (省部級一等獎) for his research achievements. Dr. Wang also participated in the development of 4 national and group standards* (國家和團體標準). Dr. Wang's research achievements have been widely applied in various industries, achieving significant social and economic benefits and promoting the green, low-carbon, and sustainable development of the metallurgical and chemical industries in China.

Dr. Wang obtained a bachelor's degree in environmental engineering from China University of Mining and Technology* (中國礦業大學環境工程專業) in 1998, a master's degree in environmental engineering from Kunming University of Science and Technology* (昆明理工大學) in 2001, and a doctorate degree in environmental engineering from Kunming University of Science and Technology* (昆明理工大學) in 2007.

SENIOR MANAGEMENT

Mr. Chen Qizhao (陳其照), aged 32, 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 of the Board, the chief executive officer of the Company.

JOINT SECRETARIES

Mr. Liu Lianchao (劉連超), aged 50, 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.

Ms. Yu Anne (余安妮) is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years of experiences in corporate secretarial and corporate governance field. Ms. Yu is currently acting as the company secretary of several companies listed on the main board of the Stock Exchange. Ms. Yu holds a bachelor's degree from University of Huddersfield in the United Kingdom and a Master of Law degree from The University of Law in the United Kingdom. Ms. Yu is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yu also holds a Practitioner's Endorsement from The Hong Kong Chartered Governance Institute.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About the Environmental, Social and Governance Report

This is the eighth Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**" or "**this 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 2024 to 31 December 2024 (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 report readers.
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.

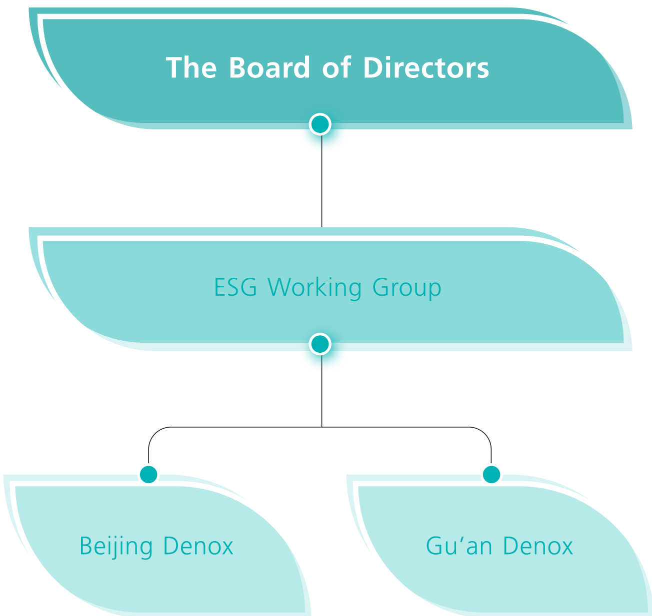
2. Governance in Sustainable Development

The Board of Directors of the Company places significant emphasis on sustainable development governance matters, incorporating them into our critical agenda. During the Reporting Period, we have been dedicated to fostering the deep integration of ESG issues with our corporate governance framework, thereby supporting the Group's journey towards sustainable development. To ensure transparency and accountability across all our operational activities, the Board of Directors rigorously adheres to corporate governance principles, aligning with legal and commercial standards. We continuously focus on key areas such as internal controls, fair disclosure, and accountability to all shareholders.

To further clarify the priority concerns of our stakeholders, the Group conducted the stakeholder engagement and materiality assessment, and this Report provides a comprehensive response to the material issues identified. Concurrently, the Group has established an ESG risk assessment mechanism to identify and effectively manage critical ESG risks. The Board of Directors will regularly review the progress of ESG-related objectives to ensure alignment with the Group's overarching strategic goals.

2.1. ESG Governance Structure

A clear and effective ESG governance framework enables the Group to better address and implement relevant ESG governance strategies and initiatives. We have established a top-down ESG governance structure to meet these requirements. The Group's ESG governance framework is outlined as follows:



The Board of Directors serves as the highest decision-making body for the Group's ESG initiatives and bears oversight responsibility for the Group's ESG issues. It is tasked with setting the overarching ESG management targets, strategies, and policies, as well as supervising and approving ESG-related matters, including management policies, strategies, and the ESG Report. To fully leverage the Group's ESG oversight mechanism and assist the Board of Directors in guiding and implementing the 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 comprises heads of functional departments from the Company and its subsidiaries. The 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 significant ESG issues and work progress, ensuring that the Board of Directors is promptly informed of ESG developments and can deliberate and make decisions on critical ESG issues. Additionally, the ESG Working Group is responsible for coordinating and overseeing the implementation and execution of ESG initiatives across functional departments within the Group and its subsidiaries, thereby embedding sustainable development principles into daily operations.

2.2. ESG Risk Assessment and Management

The Board of Directors of the Company assumes overall responsibility for the Group's risk management and internal control systems and reviews the effectiveness of its going concern basis. Concurrently, the Board of Directors recognizes the industry-specific ESG risks and has integrated ESG risk management into the existing risk management and internal control framework. Through the effective operation of risk management and internal control procedures, the Board of Directors identifies, assesses, prioritizes, and manages significant risks related to the achievement of business objectives, as well as the derivative risks associated with ESG matters.

During the Reporting Period, the Group conducted an ESG risk assessment for the year 2024 by reviewing the ESG risk results of 2023. Based on the analysis of the results, we have prioritized the Group's ESG risks, effectively identifying the most significant ones. Among these, Physical Risks, Environmental and Natural Resource Policies, Air Emissions and Management, Wastewater Discharge and Management, and Policy Risks have been determined as the highest-importance ESG risks for the Group.

The Group has identified the following ESG risks that are critical to its operations and business during the Reporting Period. These risks have been thoroughly reviewed, along with the corresponding management measures, to ensure their effective control:

Risk	Risk Level	Risk Impact	Management Measures
Physical Risks	Medium	Climate change-induced extreme weather events pose a significant risk to the operational continuity of manufacturing facilities. Failure to adequately address climate-related challenges may result in adverse impacts on production, revenue, operations, and corporate reputation.	• Drawing upon the Group's existing internal measures, policy factors within the value chain and operational locations, as well as the requirements set forth in the *IFRS S2 Climate-related Disclosures (IFRS S2)* issued by the International Sustainability Standards Board (ISSB) for corporate climate-related financial disclosures, and further informed by an analysis of industry disclosure practices and the potential impacts of various risks on the Group's operations and financial performance, we have identified physical and transition risks that may affect the Company. Consequently, we have formulated corresponding mitigation strategies to address these risks; • In response to the challenges posed by climate change, Gu'an Denox has formulated a *Rainy Season Flood Control Emergency Plan* to ensure the Company can swiftly and efficiently initiate disaster relief actions in the event of unexpected situations during flood and rainy seasons. This plan aims to minimize or mitigate losses caused by flood disasters, safeguard the safety of personnel and assets, maintain normal production operations, and meet customer requirements.

Risk	Risk Level	Risk Impact	Management Measures
Environmental and Natural Resource Policies	Medium	Non-compliance with environmental and natural resource policies may result in the Company being subject to audits, public notifications, or penalties, thereby increasing regulatory violation costs and posing risks to the Company's reputation.	• The Group, with environmental technology at the core of its business operations, adheres to the principles of green operations, prioritizing environmental protection. We rigorously comply with laws and regulations such as the *Water Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China*, as well as national standards. To ensure compliant operations, the Group regularly updates its list of environmental laws and regulations and has established the *Control Procedure for Obtaining and Identifying Laws, Regulations and Other Requirements*. We maintain continuous communication with relevant departments to comprehensively fulfil our environmental responsibilities;

Risk	Risk Level	Risk Impact	Management Measures
			• To mitigate the environmental impact of daily operations on the surrounding environment, the Group has formulated and implemented a series of scientifically sound environmental management measures. Through comprehensive assessments of procurement, sales, product technology development, production, and after-sales service processes, we have identified significant environmental aspects and evaluated their environmental impacts to implement targeted improvement measures. During the Reporting Period, the Group has compiled the *List of Key Environmental Factors* and developed the *Summary and Assessment Form of Environmental Factors* for departments including the Finance Department, General Administration Office, Technology Research and Development Department, and Industrial Catalysts Division;

Risk	Risk Level	Risk Impact	Management Measures
			• We continuously monitor the environmental impact of construction-related projects. During the Reporting Period, the Group successfully completed the Environmental Impact Assessment for the key expansion and renovation project of the honeycomb denitrification unit. The Environmental Assessment Report issued by a third-party testing agency confirms that the project has fully complied with national and local environmental regulations during both its construction and operational phases. The quality of surface water, acoustic environment, and air pollutant levels in the surrounding area all meet the required standards. Additionally, the project has implemented supporting infrastructure development, fulfilled land requisition-compensation balance requirements, and rationally adjusted land use planning, achieving synergistic optimization of production facilities and the ecological environment.

Risk	Risk Level	Risk Impact	Management Measures
Air Emissions and Management	Medium	Failure to adequately manage emissions may result in violations of relevant laws and regulations, such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*. This could disrupt normal production operations, harm the company's reputation, and potentially lead to legal proceedings.	• The Group rigorously adheres to the requirements of relevant laws, regulations, and normative documents, including the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, 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 (2020 Revision) by the Ministry of Ecology and Environment,* the *Technical Guidelines for Emergency Emission Reduction of Eight Industries in Heavily Polluted Weather in Hebei*, and the *Guiding Opinions on Differentiated Management of Heavy Pollution Weather in Non-Key Industries in Langfang*. This ensures full compliance with our operations;

Risk	Risk Level	Risk Impact	Management Measures
			• During the Reporting Period, the Group updated the *Operational Plan for Emergency Response in Heavy Pollution Weather* based on practical circumstances, further optimizing a scientific, rational, efficient, and proactive emergency response mechanism for heavy pollution events. By establishing an air pollution emergency support system characterized by proactive prevention, orderly command, rapid response, coordinated linkage, and robust safeguards, we have continuously enhanced our capability to address heavy pollution weather. This ensures the effective operation and ongoing improvement of our environmental management system, contributing to the achievement of sustainable development goals;

Risk	Risk Level	Risk Impact	Management Measures
			• During periods of heavy pollution weather, the Group strictly implements its emergency response mechanism and adopts corresponding emission reduction measures. To this end, the Group has established a Heavy Pollution Weather Emergency Task Force, which formulates and implements differentiated emission reduction plans based on varying warning levels. Under special circumstances, the Group rigorously adheres to directives from higher-level government authorities, executing emergency emission reduction measures such as production restrictions or suspensions to ensure effective reduction of pollutant emissions and fulfil its corporate environmental protection responsibilities.

Risk	Risk Level	Risk Impact	Management Measures
Wastewater Discharge and Management	Medium	Failure to adequately manage wastewater treatment may result in violations of relevant laws and regulations, such as the *Water Pollution Prevention and Control Law of the People's Republic of China*. This could disrupt normal production operations, harm the Company's reputation, and potentially lead to legal proceedings.	• The wastewater generated by the Group primarily originates from industrial effluents within the production facilities and domestic sewage from office areas. The domestic sewage from office areas is discharged into the municipal sewage network through the building pipeline system and is centrally treated by municipal authorities; • The Group has established a production wastewater treatment station and a main discharge outlet within the production facility to ensure that the treated wastewater complies with the *Integrated Wastewater Discharge Standard (GB 8978-1996)* and the influent quality requirements of Gu'an Lvyuan Urban Wastewater Treatment Co., Ltd. Wastewater generated during production undergoes preliminary treatment at the facility's wastewater treatment plant before being discharged into the municipal network for further processing at a wastewater treatment plant. Additionally, the Group regularly engages third-party testing agencies to conduct water quality tests on the discharged wastewater to ensure continuous compliance with discharge standards.

Risk	Risk Level	Risk Impact	Management Measures
Policy Risks	Medium	The Company could be subject to uncertainties arising from various laws and regulations applicable to production, such as the *Law of the People's Republic of China on Work Safety*.	• Considering energy transition policies leading to a gradual reduction in the number of coal-fired units in the thermal power industry, which may consequently constrain the sales potential of the Group's products in existing markets, the Group has decided to proactively align with the latest environmental policy directions and evolving market demands. To this end, the Group will focus on the research, development, and technological upgrading of DeNOx catalysts to diversify and optimize its product line; • To effectively address risks such as asset impairment, premature decommissioning challenges, and increasingly stringent emission disclosure requirements arising from policy changes, the Group has actively adjusted its business strategy and increased investments in low-carbon industries. During the Reporting Period, the Group strengthened its research, development, and application of DeNOx catalysts emission reduction technologies, aiming to support key polluting industries in reducing emissions and rigorously implementing environmental protection measures;

Risk	Risk Level	Risk Impact	Management Measures
			• To reduce greenhouse gas ("GHC") emissions from vehicles, the Group has revised the Group's Vehicle Management System, actively advocating for and encouraging employees to utilize public transportation, thereby collectively promoting a green and low-carbon lifestyle.

2.3. ESG Management System, Targets and Performance

To continuously strengthen the foundation for sustainable development, the Group has established a comprehensive and robust quality, environmental, and occupational health and safety management system. Our management system strictly adheres to international and national standards, including 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 the GB/T45001-2020/ISO 45001: 2018 *Occupational Health and Safety Management System Requirements with Guidance for Use*. To ensure the effectiveness and compliance of the system, the Group regularly reviews and updates it to align with the latest national and regulatory requirements. Currently, both Beijing Denox and Gu'an Denox have undergone rigorous audits by third-party organizations and have successfully obtained certifications for quality management, environmental management, and occupational health and safety management systems.

Guided by the principles of sustainable development, the Group has established an integrated management system encompassing quality, environmental, and occupational health and safety aspects. Based on this framework, the Group has set annual directional targets and quantifiable key performance indicators (KPIs). To ensure the effective implementation of strategic goals, the Group has developed a comprehensive objective management system, clearly defining the responsibilities and timelines for achieving targets across functional departments. Regular reviews are conducted to continuously monitor progress towards these goals. As a critical component of corporate governance, the Board of Directors diligently oversees environmental objectives, regularly reviewing the progress and performance of environmental directional goals. During the Reporting Period, the ESG Working Group has managed and supervised specific action plans for the execution of environmental directional objectives, ensuring the robust advancement of environmental management measures and the achievement of 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	• Implement equipment inspection and patrol systems, clearly defining the responsibilities of personnel at all levels to ensure the stable operation of equipment • Establish and enhance comprehensive maintenance plans	Milestones have been completed
	2. Increase the penetration rate of low-energy consumption equipment	• Replace and phase out energy-consuming equipment, establish equipment replacement schedules, etc.	• Optimize production processes by transitioning from decentralized heating to centralized heating • Phase out high-energy-consuming equipment while reducing energy consumption during production processes	Milestones have been completed

Directional Environmental Targets	Metrics	Action Plan	Actions Taken during the Reporting Period	Progress towards Targets
	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 staff to participate in various environmental protection exhibitions • Collect energy-saving-related information and report internally by Staff from the Marketing and Promotion Department	Ongoing
	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 Light Emitting Diode (LED) lighting for the factory	Ongoing
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	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 December 2024, there were a total of 1,111 lighting lamps in the factory • All of them are LED lamps, accounting for 100%	Milestones have been completed
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	• A comprehensive fleet management reporting system has been established to monitor and analyze monthly operational data, including fuel consumption, toll charges, and maintenance expenditures	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: Increase the proportion of renewable energy in our operations Implementation Steps: Enhance process efficiency to accelerate the calcination rate, utilizing the self-generated heat from the calcination process to reduce reliance on external electricity	• Enhance the calcination rate of honeycomb products: by optimizing calcination processes and formulations, we aim to increase calcination speed without compromising product performance. This initiative is expected to reduce electricity consumption while improving production efficiency • Enhance drying and humidification capacity: through equipment upgrades and utilization optimization of drying chamber space, production output has been increased under consistent humidity and temperature conditions. This improvement has resulted in reduced heating gas costs and lower water consumption for humidification	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	• Ten square meters of boxwood have been transplanted across the manufacturing site • Approximately 100 meters of ivy have been planted along the perimeter walls	Milestones have been completed

The Group sets quantitative targets related to quality, environment and occupational health and safety every year to continuously promote its sustainability. To ensure the timely achievement of these targets, we assign responsibilities to relevant functional departments and conduct regular reviews of progress. In 2024, the Group successfully accomplished all established targets. Below is the 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
	Zero environmental pollution incidents
Employee	Zero safety incidents
	Zero cases of occupational diseases
	Zero fire incidents
Product Quality	Procurement compliance rate ≥ 99%
	100% product delivery qualification rate
	Customer satisfaction rate: ≥ 90%
	100% contract fulfilment rate
	100% order and contract review rate

2.4. Stakeholder Engagement

2.4.1. Communicate with Stakeholders

The Group's sustainability efforts are intrinsically linked to its stakeholders, whose opinions and expectations serve as a critical driving force behind our progress. To ensure a thorough understanding of their expectations, needs, and concerns regarding sustainability issues, the Group maintains close engagement with stakeholders through various channels, including our official website, emails, annual general meetings, annual reports, interim reports, announcements, circulars, and dedicated meetings. These insights form a vital foundation for enhancing our sustainability initiatives and determining the key focus areas of this Report. During the Reporting Period, the primary concerns and expectations of our stakeholders, as well as the Group's regular communication channels, are summarized 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; implement environmental protection measures in accordance with regulations
Shareholders and Investors	Business developments, sustaining corporate competitiveness	Formulate operational plans aligned with the Group's strategic objectives, and enhance the research, development, production, and sales of industrial DeNOx catalysts and vehicle DeNOx catalysts
Customers	Compliance with relevant laws and regulations, and ensuring product quality and after-sales service; Adherence to national environmental protection standards	Keep pace with the latest environmental policies and market demands, expand product portfolio and advancing research and development of DeNOx catalysts; strengthen product quality control to enhance product excellence
Employees	Optimal working hours; Clean and organized work environment	Establish reasonable work schedules; assign designated personnel for regular cleaning of office spaces and production facilities

Stakeholders	Needs and Expectations	Responses
Suppliers	Ensuring fair and transparent procurement practices; Fostering collaborative partnerships for mutual success	Conduct annual evaluations of suppliers and establish a qualified supplier list to ensure that the products provided meet quality, environmental, and safety standards
Neighboring Communities	Protecting the community environment; Fulfilling social responsibilities	Enhance DeNOx catalysts emission reduction technologies to assist in lowering emissions in key polluting industries; implement environmental protection measures and strengthen environmental management practices; actively participate in community development and public welfare initiatives

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 is 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 of sustainable development work and the direction of future efforts.

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 the 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.

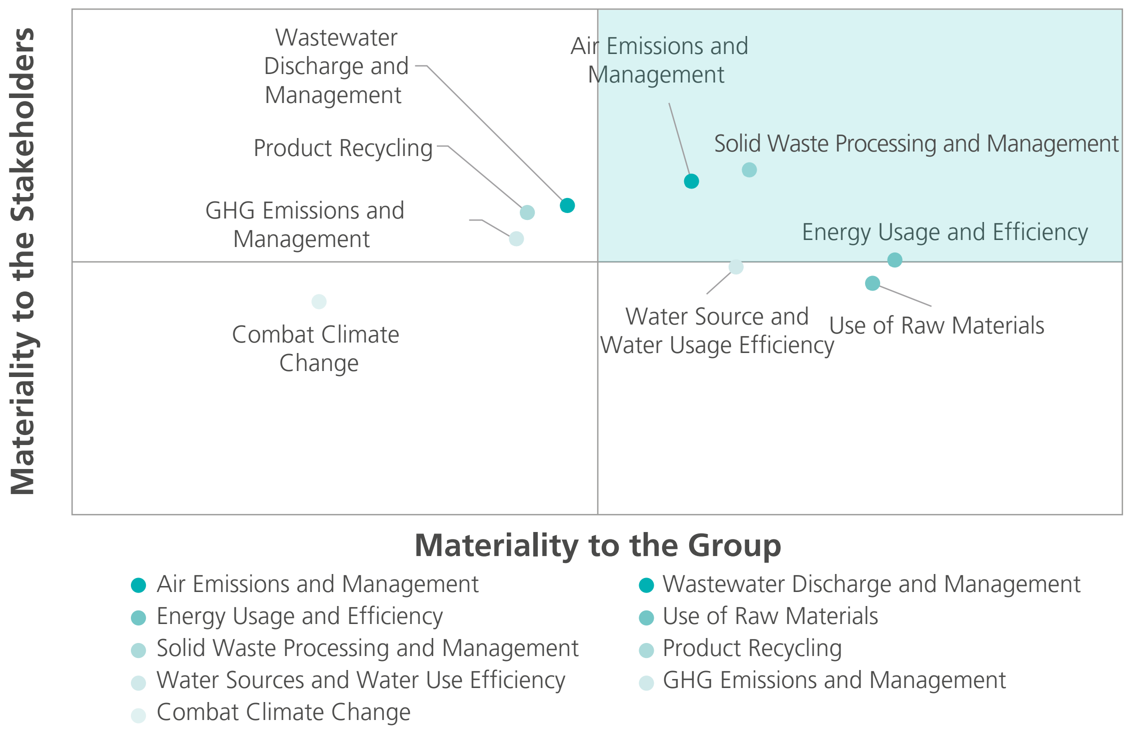
Analysis

- 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.

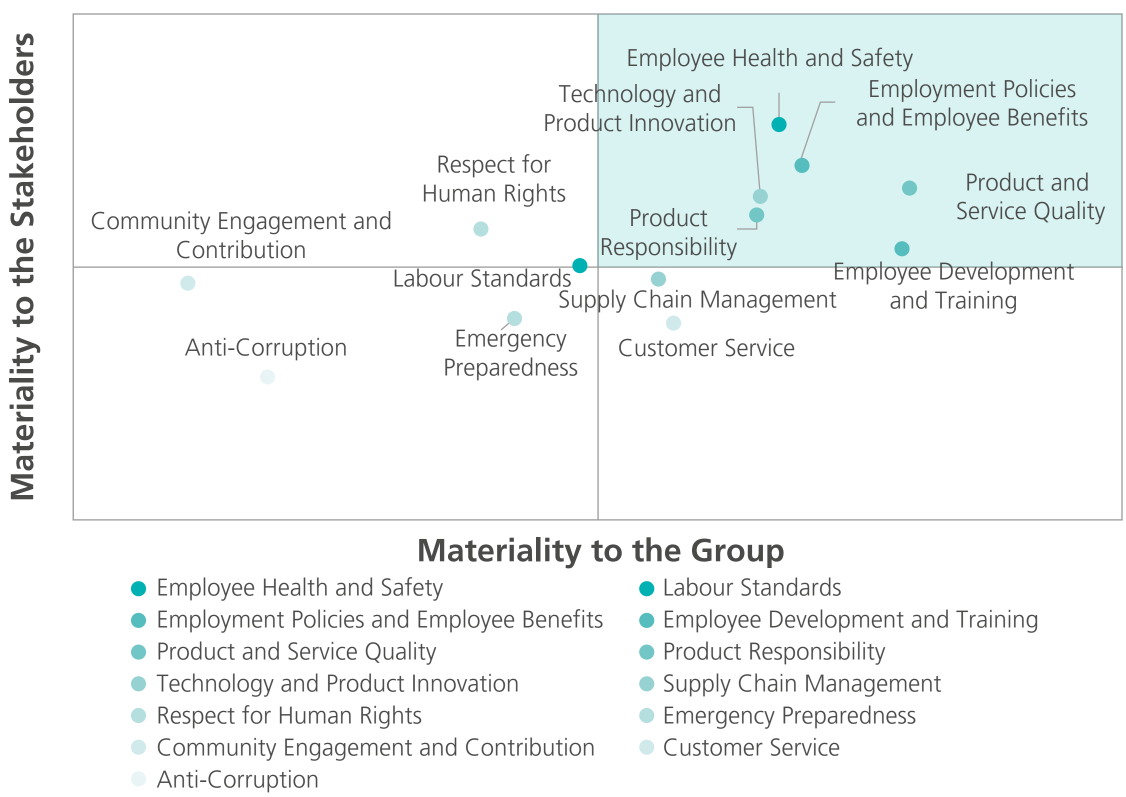
Verification

- 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 the ESG Report.

Materiality Matrix of Environmental Issues



Materiality Matrix of Social Issues



Following the above steps and after the analysis of the materiality matrices in environmental and social aspects, the Group identified 3 environmental-related and 6 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**
• Solid Waste Processing and Management • Energy Usage and Efficiency • Air Emissions and Management	• Product and Service Quality • Employee Health and Safety • Employment Policies and Employee Benefits • Employee Development and Training • Technology and Product Innovation • Product Responsibility

3. Green Operation

As a practitioner in the field of environmental technology, the Group has consistently adhered to the principles of green operation, placing environmental protection at the core of its corporate development strategy. In conducting our business, we strictly comply with national environmental protection laws, regulations, and standards, with particular reference to key legislation such as 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*, the *Law of the People's Republic of China on Promoting Clean Production*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Soil Pollution Prevention and Control Law of the People's Republic of China*. Additionally, we align with specialized standards including the *National Catalogue of Hazardous Waste (Version 2025),* the *Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023)*, and the *Detailed Rules for the Implementation of the Action Plan on Prevention and Control of Air Pollution of Beijing-Tianjin-Hebei and the Surrounding Areas*. These frameworks form the foundation of our comprehensive environmental compliance management system.

To ensure the standardization and continuity of our environmental management practices, the Group has established the *Control Procedure of Obtaining and Identifying Laws, Regulations and Other Requirements*, designating a dedicated department to oversee the regular updating and compilation of environmental regulations. Through the implementation of a transparent information disclosure and communication mechanism, we ensure that all environmental requirements are promptly and effectively implemented. 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

The Group has consistently regarded environmental protection as a critical responsibility in its operations, implementing scientifically robust and systematic environmental management measures to minimize the potential impact of daily activities on the surrounding environment. We have established a comprehensive mechanism for identifying and assessing environmental factors across the entire value chain, encompassing procurement, sales, product R&D, manufacturing, and after-sales services. This mechanism systematically identifies key environmental factors and evaluates their impact, providing a scientific basis for developing targeted improvement plans. During the Reporting Period, the Group further enhanced its environmental management system by compiling the *List of Key Environmental Factors* and developing the *Summary and Assessment Form of Environmental Factors* for key functional departments, including the Finance Department, General Administration Office, Technology Research and Development Department, and Industrial Catalysts Division. These initiatives have enabled more refined and standardized environmental management. Moving forward, the Group will continue to optimize its environmental management practices, effectively control the adverse impacts of operational activities, reduce natural resource consumption, and steadfastly fulfil its corporate environmental responsibilities, thereby contributing to ecological conservation and the achievement of sustainable development goals.

3.1.1. Air Pollutants and GHG Emissions

The Group strictly adheres to national and local environmental protection laws and regulations, comprehensively implements the requirements of the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Regulations of Hebei Province on the Prevention and Control of Air Pollution*, and other relevant legal and regulatory requirements. We thoroughly implement the *Technical Guidelines for the Formulation of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather (2020 Revision) 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*. By systematically constructing an environmental protection management system, we ensure full compliance and proactive engagement in sustainable practices.

To earnestly fulfil our corporate environmental responsibilities and enhance our capability to respond to heavy pollution weather, the Group has comprehensively optimized the *Operational Plan for Emergency Response in Heavy Pollution Weather* during this Reporting Period. The plan establishes a "three-in-one" emergency management mechanism: at the organizational level, an emergency command system led by the General Manager has been established, clarifying the responsibilities of each department and strengthening collaborative coordination; at the emission reduction level, production restriction and suspension plans for gas-related processes have been scientifically formulated, and logistics and transportation control requirements have been implemented, ensuring precise and effective emission reduction measures; at the management support level, standardized emergency procedures have been developed, dynamic plan revisions are regularly implemented, and a routine training mechanism has been introduced, comprehensively enhancing environmental compliance management capabilities. Through systematic and standardized management practices, the Group has not only effectively reduced pollutant emissions but also safeguarded employee health and regional air quality.

During our production processes, the atmospheric pollutants generated by the Group primarily originate from operations such as mixing, industrial plate drying, diesel engine drying and calcinating, as well as industrial honeycomb ageing and calcinating. The main pollutants include particulate matter, sulphur dioxide, and nitrogen oxides. To effectively address these environmental challenges, we have taken proactive measures. For key processes such as mixing, ageing, calcinating, cutting, and grinding, we have implemented comprehensive waste gas treatment solutions. These include the use of equipment such as gas collection hoods, bag filters, and spray towers to efficiently treat pollutants such as particulate matter, ammonia, sulphur dioxide, and nitrogen oxides. Additionally, by leveraging existing facilities, we have carried out technical upgrades and installed new equipment to ensure that emissions are discharged through 15-metre-high exhaust stacks, achieving compliance with regulatory standards.

Case Study: Upgrading of Dust Collection Systems for the Mixing Process

To address issues with the existing dust collection system in the mixing process, such as poor dust collection efficiency, cumbersome operations, and resource wastage, we have undertaken a systematic upgrade of the dust collection equipment. The upgrade plan involves implementing separate feeding methods, with gas collection hoods installed at the feeding inlet of each machine to efficiently capture particulate matter into the machine's integrated bag filter. Additionally, negative pressure collection is applied to capture ammonia gas generated during the mixing process, effectively preventing its dispersion. The collected particulate matter and ammonia gas are channeled through a unified pipeline to a spray tower for advanced treatment, ultimately achieving compliant emissions via a 15-metre-high exhaust stack.

Furthermore, the dust collected by the bag filter is directly returned to the mixing equipment through a discharge device, enabling the resourceful recycling of dust. Following the upgrade, the dust collection efficiency of the mixing process has significantly improved, operational procedures have become more streamlined and efficient, dust resources are fully utilized, and waste gas emissions fully comply with environmental standards. This upgrade has not only enhanced the working environment and safeguarded employee health but also reduced production costs, achieving a synergistic improvement in both economic and environmental benefits.

At the same time, we place great emphasis on the management of GHG emissions during our operations. In line with established emission reduction targets and strategies, we have steadily advanced relevant measures and continue to refine them. The primary sources of GHG emissions for Beijing Denox are electricity usage in office facilities and fuel combustion from vehicles, while for Gu'an Denox, emissions mainly arise from natural gas combustion in production equipment. To effectively reduce emissions, we have consistently implemented reduction measures during the Reporting Period: on the one hand, by enhancing employees' awareness of low-carbon commuting and environmental protection, we promote a green office culture, such as encouraging the use of public transport for commuting, organizing tree-planting activities, and advocating for online meetings to reduce business travel; on the other hand, we have strengthened energy usage management, implementing power-off measures outside office hours to minimize energy waste, completing energy-efficient upgrades to the lighting systems in our facilities, and actively adopting low-carbon production technologies such as electric calcinating furnaces, effectively reducing energy consumption per unit of product.

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.

During the Reporting Period, Gu'an Denox implemented a rainwater and sewage separation system in its construction projects. Wastewater from spray towers and pure water preparation underwent pre-treatment in the facility's sedimentation tanks before being discharged into the industrial park's sewage network, ultimately reaching Gu'an Lvyuan Urban Wastewater Treatment Co., Ltd. To ensure compliant wastewater discharge, the Company established a production wastewater treatment station and a main discharge outlet within the production facility, providing further treatment to ensure the water quality meets the *Integrated Wastewater Discharge Standard (GB 8978-1996)* and the influent quality requirements of Gu'an Lvyuan Urban Wastewater Treatment Co., Ltd. Additionally, during the Reporting Period, the Group actively promoted resource recycling measures by reusing a portion of the treated wastewater for cleaning facility grounds, effectively reducing the volume of wastewater discharged. Furthermore, to ensure compliance with relevant standards, the Group regularly engaged third-party professional organizations to conduct water quality testing on production-related wastewater discharges, strictly monitoring effluent quality to ensure compliance. During the Reporting Period, the Group's total wastewater discharge amounted to 1,472.00 metric tonnes, representing a reduction of 400 metric tonnes compared to 2023.

3.1.3. Waste Handling

The Group places a high priority on waste management, strictly adhering to national laws and regulations such as the *Standard for Pollution Control on the Non-Hazardous Industrial Solid Waste Storage and Landfill (GB 18599-2020)* and the *Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023)*. We implement standardized management across all stages of waste handling, including packaging, storage, and landfill disposal. To enhance management efficiency, the Group has formulated the *Gu'an Denox Waste Management Procedures* and the *Gu'an Denox Hazardous Waste Emergency Response Plan*. These documents further clarify internal management processes, record-keeping requirements, and incident reporting mechanisms for various types of hazardous waste. Additionally, they detail the division of responsibilities and emergency response measures for personnel in the event of an incident, ensuring compliance in waste management and the effectiveness of emergency handling. This comprehensive approach safeguards environmental safety and supports the sustainability of our production operations.

The Group's hazardous waste primarily originates from waste hydraulic oil, waste oil cotton yarn, waste cutting fluid, and waste paint buckets generated during production processes; waste sludge from wastewater treatment; and waste batteries, used ink cartridges, and discarded electronic products from daily office operations. To ensure the proper management of hazardous waste, we have established dedicated collection and storage areas equipped with clear labelling and record-keeping systems. Designated personnel are responsible for inspection and management to prevent the mixing of hazardous and non-hazardous waste.

During the Reporting Period, all generated waste cutting fluids were strictly documented with detailed transfer information, including waste details, transportation records, and recipient information. This ensures that hazardous waste is entrusted to qualified third-party treatment units for unified processing and safe disposal, achieving a 100% safe disposal rate for hazardous waste.

In terms of non-hazardous waste management, the Group has implemented strict classification, collection, and centralized storage for waste generated during production processes, such as dust and metal shavings, as well as waste from daily operations, including food waste and general refuse. These are ultimately handed over to local property management companies for compliant disposal. To further reduce the generation of non-hazardous waste, we have established dedicated wastepaper collection areas in office spaces, encouraging employees to minimize unnecessary paper usage and enhance paper utilization through secondary use, such as printing on the reverse side or other effective reuse methods. Additionally, we actively promote awareness among employees regarding waste recycling and resource reuse, driving the adoption of green office practices and contributing to the achievement of sustainable development goals.

Currently, the Group has established a series of waste reduction targets and continues to refine these goals based on the implementation progress of related measures. To better achieve these waste reduction objectives, we actively explore measures for the recycling and reuse of waste, striving to maximize the utilization of waste generated during daily production and operations, thereby minimizing resource wastage. We consistently promote the "Clean Plate Campaign" to eliminate food waste in canteens, refrain from providing disposable utensils, and encourage employees to bring their own utensils. Through waste classification awareness campaigns and training programs, we enhance employees' environmental awareness. Additionally, the Group vigorously advocates for paperless office practices, with internal documents shared electronically and employees encouraged to use double-sided printing when necessary. We have also implemented a demand-based procurement system for office supplies, further reducing resource consumption and embodying the principles of green office practices.

Case Study: Waste Cutting Fluid Storage Facility in Gu'an Denox

To ensure that the disposal of hazardous waste complies with legal and regulatory requirements and to reduce the likelihood of related incidents, the Group has established a dedicated hazardous waste storage facility at Gu'an Denox. This facility is equipped with relevant firefighting equipment and clear labelling to manage all categories of hazardous waste generated.

Case Study: Waste Sorting Area in Beijing Denox

To enhance the efficiency of waste resource utilization, Beijing Denox has installed clearly labelled and colour-coded waste separation bins in office and public areas, strictly categorised into hazardous waste, recyclables, and general waste. Additionally, the Group places great emphasis on promoting environmental awareness. Through thematic training sessions, the production of informational brochures, and the display of classification guidelines, we have systematically educated all employees on waste separation practices. Through continuous awareness campaigns and practical guidance, our employees have now developed strong waste separation habits, demonstrating the ability to consciously and accurately sort waste. These initiatives have not only effectively reduced resource wastage and significantly improved waste reuse rates but have also made a positive contribution to advancing the company's green development and fulfilling its environmental social responsibilities.

Case Study: Implementing Green Development Principles

The Group consistently upholds the principles of green development and actively promotes the reduction of non-hazardous waste. As a practical initiative, Beijing Denox has established a dedicated area for the reuse of secondary paper in office spaces. By implementing a comprehensive paper recycling and reuse mechanism, we encourage employees to develop awareness of paper conservation. The Company has clearly stipulated that all single-sided paper used must be stored in designated areas for departmental use as needed, such as for draft printing, internal document copying, and other informal purposes. Additionally, through internal announcements and digital screen reminders, we continuously advocate the environmental principle of "no printing unless necessary", encouraging employees to prioritize electronic documents for work communication. These measures have not only effectively reduced paper consumption but also fostered employees' environmental awareness, setting a positive example for building a resource-efficient enterprise.

3.1.4. Noise Control

The Group places significant emphasis on noise pollution prevention and control during production and operational processes, integrating noise management into our environmental management system. We continuously refine our mitigation measures to fulfil our corporate environmental protection responsibilities. The primary source of noise originates from the operation of production facilities at Gu'an Denox. In accordance with regulatory requirements such as the *Emission standard for industrial enterprises noise at boundary (GC12348-2008))*, the Group has developed and implemented a *Control Procedure of Noise*, establishing a comprehensive noise management mechanism throughout all operational stages.

In the equipment selection stage, the Group prioritizes the procurement of advanced, low-noise, and high-efficiency equipment. We rigorously implement noise insulation and vibration reduction measures during installation to control noise at its source. Throughout production and operations, the Group has established a professional noise monitoring system equipped with advanced detection devices to conduct regular monitoring and evaluation of noise levels at the facility boundaries, ensuring continuous compliance with all relevant standards. Additionally, noise prevention is integrated into daily environmental management practices, with regular inspections and assessments conducted to identify and address potential issues promptly, thereby continuously optimizing noise control effectiveness.

By establishing a comprehensive noise control system, the Group has effectively improved the working environment for employees and significantly reduced the environmental impact on surrounding communities. During the Reporting Period, Gu'an Denox maintained a 100% compliance rate in noise monitoring at the facility boundaries, with no noise-related complaints from the public. Moving forward, the Group will continue to increase investment in environmental protection, actively explore innovative noise control technologies, and continuously enhance environmental management standards, contributing positively to the creation of green factories and the advancement of ecological civilization.

Noise Management

- Priority is given to high-efficiency, low-noise equipment meeting national standards
- A noise assessment ensures new equipment compliance; non-compliant items are fitted with soundproofing or silencers
- Vibration-prone equipment uses rubber or spring dampers
- Standardized procedures prevent abnormal noise from improper operation
- A preventive maintenance system ensures optimal performance and minimizes noise through regular inspections and upkeep

3.1.5. Climate Change

Globally, governments and regulatory bodies are increasingly focusing on and strengthening oversight of climate change issues, making climate-related risk management and disclosure requirements critical to corporate sustainability. In this context, the Group actively aligns with regulatory trends, deeply commits to environmental responsibilities, and closely follows the national "Carbon Peak and Carbon Neutrality" strategic goals. During the Reporting Period, we conducted a climate risk assessment. Based on our operational characteristics, we comprehensively reviewed the previous year's assessment results, integrating the Group's existing control measures, value chain features, and regional policy environments. Referring to the requirements of the *IFRS S2* issued by the ISSB, we analyzed industry disclosure practices and the potential impacts of various risks on the Group's operations, finances, and other dimensions. This led to the establishment of a 2024 climate risk register, identifying key climate risks with an impact level of "medium" or higher.

To effectively address the potential risks posed by climate change, the Group has implemented a series of mitigation measures. In terms of risk management, we have developed and refined the *Rainy Season Flood Control Emergency Plan*, establishing a flood response mechanism. Through regular drills and hazard inspections, we have comprehensively enhanced our emergency response capabilities for extreme weather events, maximizing the safety of employees and assets. In operational optimization, we continue to advance the development of our environmental management system. By implementing clean production technology upgrades, optimizing energy use structures, and improving equipment energy efficiency, we have significantly reduced carbon emission intensity during operations. These measures have not only strengthened the Group's climate resilience but also aligned with policy directions and market demand shifts driven by climate change, laying a solid foundation for the sustainable development of the enterprise.

The following table summarizes the material climate risks identified during the Reporting Period and the current management status of the Group. Looking ahead, the Group will continue to refine our climate change management mechanisms and establish a robust risk response system. Simultaneously, we will actively monitor industrial best practices, continuously enhancing our climate risk management capabilities. By adopting a more proactive approach to addressing the challenges posed by climate change, we aim to contribute positively to the sustainable development of the enterprise and the protection of the ecological environment.

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	• Continuously optimize emission reduction technologies and rigorously implement relevant policies
	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	• Revise the Group's Vehicle Management System to reduce vehicle usage. Actively advocate for and encourage employees to use public transport, collectively promoting a green and low-carbon lifestyle

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 developed the *Rainy Season Flood Control Emergency Plan* and the *Operational Plan for Emergency Response in Heavy Pollution Weather*, tailored to seasonal climate characteristics and regional environmental conditions. By establishing a comprehensive early warning mechanism and a tiered response system, we have clearly defined departmental responsibilities, detailed emergency response procedures, and conducted regular drills. These efforts have significantly enhanced the Company's capability to manage extreme weather events and environmental pollution incidents. These measures have effectively safeguarded employee safety and property, ensuring stable and orderly production operations
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	• To mitigate the impact of carbon pricing on the chemicals market due to government levies and to address potential supply chain shortages, we have implemented an annual supplier evaluation system. This includes establishing a list of qualified suppliers to ensure product compliance and enhance supply chain stability

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	• Monitor climate change trends in real-time and develop specific emergency response plans for various climate scenarios, such as extreme weather and flooding. Conduct regular emergency drills to comprehensively enhance risk prevention and response capabilities, ensuring the safety of employees' lives and property, as well as maintaining normal business operations

Climate Risk Category	Potential Climate Risks	Impact Level	Risk Description	Current Management Status
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	• The Group has proactively adjusted its business strategy, further increasing investment in low-carbon industries. During the Reporting Period, we have intensified research and application efforts in the field of DeNOx catalysts emission reduction technologies. These initiatives aim to support key polluting industries in reducing emissions, rigorously implement environmental protection measures, and strengthen the development of our environmental management system • With technological advancements in the industrial catalyst sector, the application of vehicle coating catalyst technology is gradually extending into industrial fields. To capitalize on this development trend, the Group is preparing to initiate the optimization of formulations and the development of processes for new catalysts, such as carbon monoxide (CO) catalysts and industrial coating catalysts, for the metallurgical industry. We are committed to driving green transformation and energy efficiency improvements in the industrial sector through technological innovation

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
	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	• The Formula Research and Development Department continues to advance the optimization and innovation of product formulations, ensuring that new products meet customer performance requirements while achieving effective cost control

3.2. Resource Utilization

3.2.1. Energy and Water Consumption

The Group's energy consumption is mainly purchased electricity and natural gas, while water is entirely supplied by municipal sources. To effectively reduce resource consumption and uphold sustainable development principles, we have developed and implemented the *Energy Conservation and Consumption Reduction Management Procedures*, establishing a comprehensive energy management system. This procedure mandates the Equipment Management Department to systematically monitor and record electricity, natural gas, and water consumption, setting scientific energy consumption targets aligned with annual production plans and allocating these targets to relevant departments for implementation. Additionally, we have introduced a monthly evaluation mechanism to regularly assess the achievement of energy-saving goals, continuously optimize energy use efficiency, and promote green, low-carbon operations.

During the Reporting Period, the energy and water conservation measures implemented by the Group include:

Energy Conservation

- Develop energy saving and management plan (e.g., air conditioning at 26 °C, setting the on/off time for lighting equipment) to prevent waste
- Optimize energy efficiency of equipment by developing a maintenance program
- Replace and phase out high-energy-consuming equipment, establishing a clear timeline for equipment replacement
- Use LED and energy-saving lighting throughout the factory to reduce power consumption

Water Conservation

- Posting water-saving signs and slogans
- Conducting regular inspections and promptly repairing or replacing equipment in cases of leaks
- Promptly repairing any leaks, drips, or other issues found during inspections
- Recycling wastewater from water production facilities for use in scrubbers and floor cleaning

Through the effective implementation of the aforementioned measures, the Group has achieved standardized management of energy and water resources during the Reporting Period, with no instances of abnormal usage. Additionally, the Group faces no challenges in sourcing water. Notably, Gu'an Denox has achieved significant results through technical upgrades and process optimizations, successfully reducing energy consumption per unit of product by 2%. Moving forward, the Group will continue to advance energy and water conservation efforts. While actively exploring innovative technologies and management models, we will set more ambitious targets for improving energy efficiency and reducing water intensity. Furthermore, we will enhance our environmental data management system, strengthen the monitoring and evaluation mechanisms for measure implementation, and regularly report and disclose relevant performance data. This transparent and standardised approach will drive green, low-carbon development.

Case Study: Gu'an Denox Improves its Calcinating Process

By optimizing the calcinating process and formulation design for honeycomb products, we have significantly improved calcination efficiency while ensuring product performance meets standards. According to internal statistics, the energy cost per unit volume of honeycomb products decreased from RMB189.19 per cubic meter in 2023 to RMB170.83 per cubic meter in 2024. Based on an annual production volume of 7,020 cubic meters, this process improvement saves RMB128,900 in energy costs (electricity) annually, effectively achieving both energy conservation and economic benefits.

3.2.2. Raw Materials and Other Resource Consumption

The Group consistently upholds the sustainable development principle of "maximizing resource utilization and minimizing waste", continuously advancing efforts to reduce the use of raw materials and packaging in production processes. In terms of packaging optimization, Gu'an Denox has promoted the innovative use of honeycomb packaging as a replacement for traditional steel straps. In 2024, a total of 5,900 units were converted to honeycomb packaging, saving RMB8 per unit and achieving an annual cost reduction of RMB47,200 in packaging expenses, while also effectively lowering customers' waste disposal costs. In raw material conservation, we have achieved breakthroughs in product lightweighting through the development of thin-wall product technology, significantly improving raw material efficiency and contributing positively to green manufacturing.

Case Study: Development of Thin-Walled Products

The Group has innovatively developed a thinning process in the plate product sector. By optimizing pressure roller parameters and improving material formulations, we have effectively resolved roller adhesion issues during high-pressure production. This process ensures product performance meets standards while achieving significant raw material savings. According to internal data, the material usage per square meter of single plates decreased from 1.1 kilograms to 0.95 kilograms in 2024, improving material efficiency by 13.6%. This fully demonstrates the Group's technological innovation capabilities in green manufacturing.

3.3. Environmental Data

The Group's primary products encompass plate-type catalysts, honeycomb catalysts and vehicle catalysts. Due to variations in market demand and production plans across different years, product output has fluctuated accordingly. The statistical data related to emissions and resource usage for the past three Reporting Periods are presented below:

3.3.1. Emissions Data

		Data[1, 2]		
Emissions	**Unit**	**2024**	**2023**	**2022**
Air Emissions[3]				
Sulphur dioxide	Tonnes	0.020	0.025	0.019
Nitrogen oxides	Tonnes	0.176	0.163	0.115
Carbon monoxide	Tonnes	0.193	0.174	0.139
Total particulate matter[4]	Tonnes	0.018	0.025	0.014

1 The data scope includes offices located in Beijing and production facilities in Gu'an.

2 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 2024 was 18,426.430 m^3. The calculation of environmental data intensity included plate-type, honeycomb, and vehicle catalysts.

3 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.

4 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[1, 2] 2024	2023	2022
GHG Emissions				
Total GHG emissions	Tonnes CO_2 equivalent	5,853.156	5,258.973	4,156.536
Intensity of total GHG emissions	Tonnes CO_2 equivalent per m^3 of production	0.318	0.389	0.379
Scope 1: direct emissions[5]	Tonnes CO_2 equivalent	839.431	1,223.386	938.541
Intensity of Scope 1 emissions	Tonnes CO_2 equivalent per m^3 of production	0.046	0.086	0.086
Scope 2: indirect emissions related to energy[6]	Tonnes CO_2 equivalent	4,994.941	4,001.451	3,205.794
Intensity of Scope 2 emissions	Tonnes CO_2 equivalent per m^3 of production	0.271	0.296	0.292
Scope 3: others indirect emissions[7]	Tonnes CO_2 equivalent	18.784	34.136	12.201
Intensity of Scope 3 emissions	Tonnes CO_2 equivalent per m^3 of production	0.001	0.003	0.001

5 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 15 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.

6 The scope of scope 2 GHG emissions includes the purchased electricity. The calculation method and relevant emission factors for GHG emissions from electricity use in 2024 are based on the 2022 national average CO_2 emission factor for electricity, as stipulated in the *Announcement on the Release of 2022 CO_2 Emission Factors for Electricity* issued by the Ministry of Ecology and Environment and National Bureau of Statistics. The calculation 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 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.

7 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[1, 2] 2024	2023	2022
Non-hazardous Wastes Produced				
Total non-hazardous wastes	Tonnes	12.361	12.584	14.623
Intensity of non-hazardous wastes	Tonnes per m^3 of production	0.001	0.001	0.001
– Domestic wastes and waste products	Tonnes	9.721	10.223	9.140
– Food wastes	Tonnes	/	/	2.200
– Production wastes	Tonnes	0.480	0.300	1.080
– Paper	Tonnes	0.110	0.111	0.103
– Dust	Tonnes	2.050	1.950	2.100
Hazardous Wastes Produced				
Total hazardous wastes (except ink cartridges)	Tonnes	3.901	3.000	3.150
Intensity of total hazardous wastes (except ink cartridges)	Tonnes per m^3 of production	2.117×10^{-4}	2.219×10^{-4}	2.872×10^{-4}
– Waste hydraulic oil	Tonnes	0.001	/	0.450
– Waste paint containers	Tonnes	/	/	/
– Waste sludge	Tonnes	3.900	3.000	2.700
– Ink cartridges	No.	1	4	1
– Batteries	No.	/	8	/

3.3.2. Resource Consumption Data

		Consumption		
Resource	**Unit**	**2024**	**2023**	**2022**
Energy Consumption[8]				
Total energy consumption	MWh	12,741.425	12,025.303	9,491.956
Intensity of total energy consumption	MWh per m^3 of production	0.691	0.889	0.865
Indirect Energy Consumption				
Electricity consumption	MWh	9,308.500	7,016.397	5,621.242
Intensity of electricity consumption	MWh per m^3 of production	0.505	0.519	0.513
Direct Energy Consumption				
Natural gas consumption	Ten thousand m^3	36.617	53.992	41.753
Intensity of natural gas consumption	Ten thousand m^3 per m^3 of production	0.002	0.004	0.004
Gasoline consumption	Liter	14,890.470	20,265.961	15,919.630
Intensity of gasoline consumption	Liter per m^3 of production	0.808	1.499	1.451
Diesel consumption[9]	Liter	5,264.000	3,623.000	2,240.000
Intensity of diesel consumption	Liter per m^3 of production	0.286	0.268	0.204

8 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.

9 Due to the growth in business volume during the Reporting Period, diesel consumption has increased accordingly.

Resource	Unit	Consumption 2024	2023	2022
Water Consumption[10]				
Municipal water supply	Tonnes	42,386.990	22,813.000	20,008.000
Intensity of municipal water supply	Tonnes per m^3 of production	2.300	1.687	1.824
Use of Packaging Materials[11]				
Wood	Tonnes	100.480	74.904	56.936
Plastic	Tonnes	5.024	3.745	2.847
Paper	Tonnes	0.502	0.375	0.285
Metal	Tonnes	1,256.000	936.300	711.700
Total consumption of packaging materials	Tonnes	1,362.006	1,015.324	771.767
Intensity of total consumption of packaging materials	Tonnes per m^3 of production	0.074	0.075	0.070

10 Due to the increase in order production during this Reporting Period, water consumption has correspondingly increased.

11 Due to the increase in order production during this Reporting Period, the usage of packaging materials has correspondingly increased.

4. People-oriented

To foster a positive corporate culture and a harmonious working environment, and to promote personal growth and professional development of our employees, thereby driving the sustainable development of the enterprise, the Group has always adhered to the philosophy that "employees are the most important and valuable component of the company". We uphold the management principle of mutual progress and collaborative development between employees and the Group. We are committed to providing a safe and comfortable working environment for our employees, comprehensively addressing their physical and mental well-being, and continuously enhancing their professional qualities and skills through diverse training programs. Additionally, we focus on meeting the daily needs of our employees, strengthening their sense of responsibility and belonging, and striving to build a highly efficient, outstanding, and loyal professional team. This lays a solid talent foundation for the long-term development of the enterprise.

4.1. Employees' Rights and Interests

The Group strictly adheres to all relevant employment laws and regulations, 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*, 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 Labor*. These laws and regulations comprehensively govern matters such as 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. We have established a robust compensation and benefits system to ensure the full protection of employees' legal rights. During the Reporting Period, the Group did not encounter any incidents of non-compliance with employment or labor-related laws and regulations.

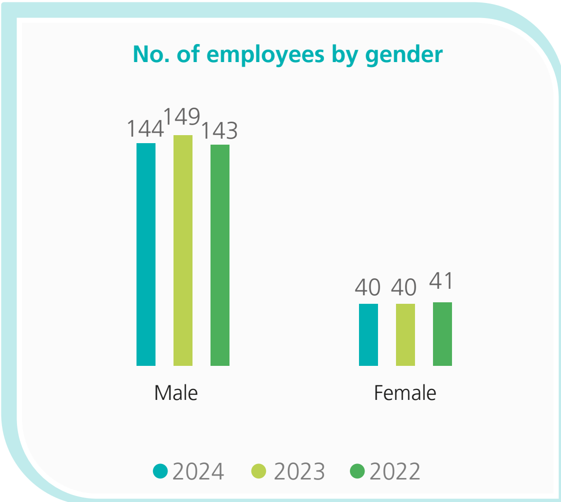
Furthermore, the Group has established and implemented comprehensive employment policies and management systems, encompassing various aspects such as the protection of employee rights, career development, and welfare benefits. Through systematic management, we ensure the standardization and transparency of employment practices, continuously enhancing employee satisfaction and fostering a sense of belonging.

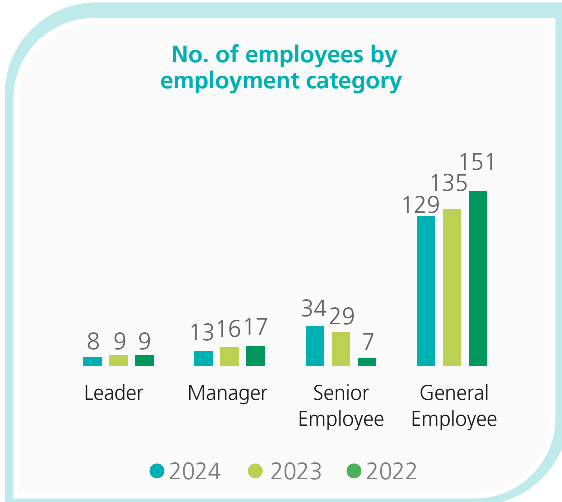
Recruitment and Dismissal	The Group has established a robust recruitment management system, formulating and implementing the *Employee Recruitment System* and the *Management Approach for Employee Selection*. These documents clearly define the recruitment criteria, processes, and standards, ensuring fairness, impartiality, and transparency throughout the recruitment process. Upon joining the Company, employees are provided with a labor contract in accordance with the law, which explicitly outlines key terms such as remuneration, benefits, health and safety responsibilities, confidentiality obligations, and conditions for contract termination. Additionally, the Group has developed a structured offboarding management system, which clearly stipulates procedures for resignation and dismissal, notice periods, and financial compensation. This approach not only safeguards the legal rights of employees but also upholds the legitimate interests of the company, fostering harmonious labor relations and sustainable development.

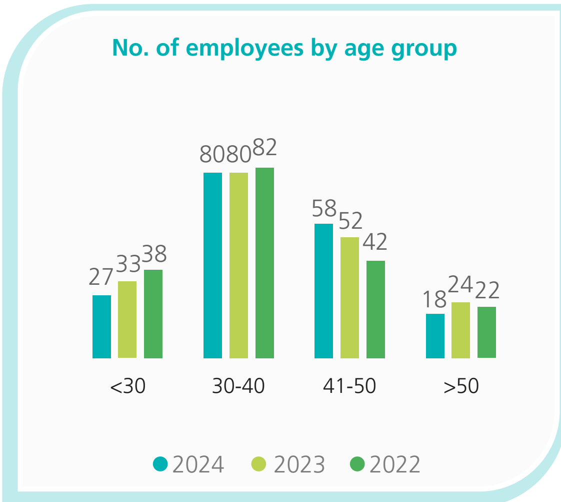
Compensation and Promotion	The Group has established a scientifically systematic remuneration and performance management framework. Through the formulation and implementation of the *Management Approach for Remuneration System* and the *Explanation of the Optimization of the Company's Remuneration System*, we have standardized the salary structure, promotion mechanisms, and benefits system, creating a remuneration distribution system centered on "fairness, incentivization, and sustainability". The employee compensation package encompasses base salary, performance bonuses, social insurance, supplementary medical insurance, and pension schemes. Additionally, remuneration is dynamically adjusted based on role value, performance outcomes, professional qualifications, and market competitiveness. During the Reporting Period, we formulated and implemented the *Company Comprehensive Budget and Performance Evaluation System Management Policy*. By establishing quantifiable performance indicators, strengthening process management, and refining the application of results, we ensured precise alignment between remuneration incentives and performance evaluations. This approach has created a management cycle encompassing "goal setting, process control, performance assessment, and incentive feedback", effectively unlocking employee potential and driving the efficient achievement of the Group's strategic objectives.
Working Hours and Holidays	In accordance with relevant national laws and regulations, the Group has established the *Work Attendance Regulation* to ensure that employees are entitled to their statutory rights, including paid annual leave, public holidays, and other rest days. Additionally, the Group strictly adheres to the *Regulations of Hebei Province on Population and Family Planning*, providing eligible employees with statutory leave such as marriage leave, maternity leave, paternity leave, and bereavement leave. In terms of production operations, the Group's manufacturing facilities implement a scientifically designed shift system, rigorously enforcing an eight-hour workday to ensure compliance with national regulations. This approach effectively safeguards the legal rights and interests of our employees.

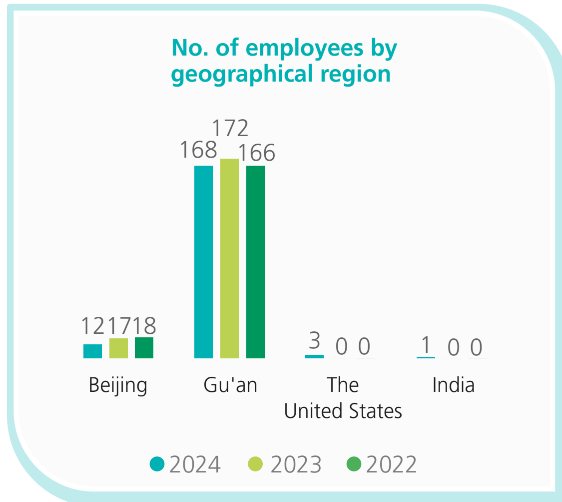
Fair Opportunity and Diversity	The Group consistently upholds the principles of equality, diversity, and inclusion in its employment practices. In areas such as talent recruitment, labor relations management, remuneration and benefits, promotions, leave arrangements, and training and development, we strictly adhere to the principle of "merit-based and performance-driven" decision-making, firmly opposing any form of discrimination based on race, nationality, age, gender, or other factors. To continuously enhance our talent development mechanisms, the Group has formulated the *Staff Rotation Management System*. By establishing a standardized job rotation system, we effectively promote employees' career development, invigorate organizational vitality, and strive to build a high-caliber, versatile talent pool that aligns with the Group's strategic development needs.
Prohibit Child Labor	The Group rigorously enforces the *Prohibition of Using Child Labor*, firmly prohibiting the employment of individuals under the age of sixteen. To ensure compliance with labor regulations, the Group has established a comprehensive pre-employment verification mechanism, requiring all prospective employees to provide valid identification documents issued by public security authorities, which are then meticulously reviewed by the human resources department. In the event of any instance of underage employment being identified, the Group will immediately terminate the employment relationship and assume corresponding legal responsibilities. During the Reporting Period, the Group did not encounter any incidents of non-compliance with child labor regulations.
Prohibit Forced Labor	The Group steadfastly adheres to international labor standards, strictly prohibiting any form of forced labor, bonded labor, or prison labor, and explicitly refrains from engaging in commercial partnerships with organizations that utilize forced labor. During the recruitment process, we provide candidates with detailed information about the Company's background, employment policies, working hours, remuneration, and benefits, ensuring transparency and the voluntary nature of employment. Furthermore, the Group strictly complies with the provisions of the *Labor Contract Law of the People's Republic of China*, entering formal labor contracts with employees and fully safeguarding their legal right to terminate employment voluntarily. 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 184[12] employees. All of them are full-time employees[13]:









12 To align with the Group's business expansion this fiscal year, our employee demographic reporting now includes workforce data from the United States and India.

13 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[14]	2024	2023	2022
Employee turnover rate	21%	23%	15%
By gender			
Male	22%	25%	15%
Female	18%	15%	15%
By age group			
<30	33%	72%	18%
30-40	19%	16%	16%
41-50	14%	8%	10%
>50	37%	13%	14%
By geographical region			
Beijing	58%	6%	6%
Gu'an	19%	24%	16%
The United States	0%	/	/
India	0%	/	/

4.2. Caring for Employees

The Group is committed to fostering equal, trusting, and harmonious labor relations. We value and are eager to listen to the voices of every employee, ensuring that their concerns and aspirations are promptly heard and effectively addressed. To facilitate open communication channels, the Group has established a robust employee representative mechanism. In accordance with the *Employee Representative Election Procedure*, representatives are democratically elected from various departments. These representatives regularly convene meetings to engage in in-depth discussions on key issues such as remuneration and benefits, working hours, and equal employment opportunities, and promptly relay constructive feedback to management. Additionally, the Group has formulated and implemented the *Management Procedures of Employee's Opinions, Suggestions, Complaints and Feedback* creating a structured mechanism for addressing concerns to ensure timely and effective resolution of employee grievances. Through the establishment of multi-level, comprehensive communication platforms, the Group has achieved positive interaction between employees and management, effectively safeguarding employees' legal rights and promoting the harmonious development of the organization.

14 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.

By establishing a diversified employee care system, we gain a deep understanding of employee needs and consistently allocate resources to address them. During the Reporting Period, we organized a variety of employee engagement initiatives, including cultural activities such as dumpling-making during the Dragon Boat Festival and the distribution of holiday gift cards. Additionally, we regularly host employee outings and sports events, and have set up a dedicated employee activity center on the third floor of Gu'an Denox, equipped with professional fitness facilities to provide employees with convenient access to exercise. Through these measures, we aim to effectively alleviate work-related stress, enhance employees' physical and mental well-being, foster cross-departmental collaboration, and strengthen team cohesion.

Case Study: Dragon Boat Festival Dumpling-Making Activity

Case Study: Mid-Autumn Festival Gift Card Distribution

4.3. Health and Safety

The Group consistently upholds the core value of "safety first", prioritising employee occupational health and safety as a cornerstone of our business development. We have established a comprehensive occupational health and safety management system, strictly adhering to legal and regulatory requirements such as 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 *Law of the People's Republic of China on Work Safety* fulfilling our corporate responsibilities diligently. During the Reporting Period, the Group has not experienced any incidents involving violations of occupational health and safety laws or regulations.

To advance occupational health and safety management, the Group has established a rigorous *Occupational Health Management Policy*, designed to implement the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, prevent and control occupational disease hazards, and protect employee health. This policy clearly defines the responsibilities of each department in occupational health efforts, requiring strict adherence to measures such as hazard communication, the "three simultaneities" review for construction projects, provision of protective facilities, and regular inspections and rectifications. The Company legally organizes occupational health check-ups and training for employees, while conducting routine and periodic monitoring of occupational hazard factors in workplaces. Additionally, the policy mandates the establishment of emergency response plans to ensure the timely handling and reporting of occupational hazard incidents. Through systematic management measures, the Company is committed to improving working conditions and safeguarding employees' occupational health and safety.

Occupational Health Protection and Medical Examination Management Measures:

- Dust Prevention Measures: Employees are required to wear dust masks during production operations to prevent pneumoconiosis
- Noise Protection: Earplugs must be worn in high-noise areas to reduce noise exposure
- Health Monitoring: Annual occupational health check-ups are conducted to promptly monitor employees' health conditions

At the same time, the Group fosters a safety culture mechanism involving all employees, regularly organizing occupational safety education training, safety awareness campaigns, and other activities to continuously strengthen employees' safety awareness and emergency response capabilities. We deeply integrate safety principles into every aspect of production and operations, preventing and controlling safety risks at the source, and effectively safeguarding employees' occupational health rights.

4.3.1. Safe Production

The Group strictly adheres to laws and regulations, such as the *Law of the People's Republic of China on Work Safety*, which are relevant to ensuring workplace safety and have a significant impact on our operations. During this Reporting Period, the Group has not violated any related laws or regulations.

To enhance safety management, during this Reporting Period, we established the *Work Safety Standardization Management System*, creating a well-defined hierarchical responsibility framework. The Chairman is designated as the primary responsible person for work safety, with safety responsibilities cascaded to departments, teams, and individual roles, forming a grid-based management model that ensures comprehensive coverage both horizontally and vertically. Additionally, the Company implements a two-tier safety objective management system, scientifically breaking down overall targets to departments, teams, and individuals, and ensuring effective implementation through evaluation and incentive mechanisms.

In terms of organizational support, to implement the requirements of regulations such as the *Law of the People's Republic of China on Work Safety*, 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*, we have established a Work Safety Leadership Group and a dedicated Work Safety Management Department with full-time safety officers. The Work Safety Leadership Group is primarily responsible for disseminating higher-level work safety documents, promoting relevant laws and regulations, establishing and improving safety systems, organizing safety training, conducting supervision and inspections, and rectifying violations. The Work Safety Management Department is specifically responsible for drafting rules and emergency plans, organizing safety education and training, overseeing the implementation of safety management measures, conducting emergency drills, performing safety hazard inspections, and addressing violations.

Case Study: 2024 Work Safety Responsibility Training for Team Leaders

The Group strictly implements the "three simultaneities" system for safety facilities in construction project management, ensuring that safety facilities are designed, constructed, and put into operation simultaneously with the main project, effectively controlling safety risks at the source. To strengthen hazard identification and management, we have established a comprehensive hazard identification and rectification mechanism, strictly adhering to the "five fixes" principle: fixing rectification measures, responsible personnel, completion timelines, responsible departments, and rectification funds, ensuring thorough hazard resolution. For major hazards, we require the development of specialized management plans, implementing focused control and follow-up supervision.

The Group also places great emphasis on the construction of workplace safety facilities and occupational health protection. Through systematic safety management and comprehensive hardware configurations, we create a safe and healthy working environment for our employees. In production areas, we have equipped machinery that complies with national safety standards and ensured proper ventilation to effectively prevent harmful gas leaks. Taking the Gu'an Denox production workshop as an example, we have installed professional protective facilities such as safety guards, anti-decoupling devices for crane hooks, and grounding wire protection. Additionally, we have implemented comprehensive safety warning signs, alarm systems, emergency wash stations, evacuation routes, and first aid supplies. Regular maintenance and inspections are conducted to ensure all safety facilities remain in optimal working condition.

In terms of occupational health protection, the Group strictly implements the management system for personal protective equipment. Based on the nature of each role, we provide employees with appropriate protective gear and establish usage guidelines to ensure proper wear. Additionally, we conduct regular quality inspections and effectiveness evaluations of PPE, actively seek employee feedback, and continuously optimize the configuration of protective equipment. To comprehensively safeguard employees' physical and mental well-being, we have established an occupational health management system. This includes organizing regular health check-ups, strictly monitoring the hygiene of employee dormitories and factory premises and conducting occupational health education and training programs, effectively preventing occupational injuries.

At the same time, to continuously strengthen the development of the occupational health management system, the Group has established a comprehensive monitoring mechanism for occupational hazard factors. Regular assessments are conducted in workplaces to ensure compliance with occupational health standards. To identify and control safety risks, the Group has developed management systems such as the *Unacceptable Risk List*, the *Hazard Identification and Evaluation Form* and the *Hazard Identification and Risk Analysis Statistics Form*. Corresponding prevention and response measures are formulated for potential risk incidents arising from different work activities, creating a comprehensive safety protection network.

There were no work-related deaths in the past three consecutive reporting periods. During the Reporting Period, there was one person involved in work-related injuries, and 42 workdays were lost due to injuries.

4.3.2. Safety Training

To enhance safety awareness and skills across the workforce, the Group has established a diversified safety education and training system. Through systematic safety knowledge training, interactive quizzes, and case study videos, employees are supported in gaining a deeper understanding of work safety practices. The Group has also developed a three-tier safety training system, covering company-wide, workshop-level, and team-level training, ensuring that new employees, transferred staff, and special operations personnel receive systematic training and are certified before starting work. Additionally, the Group has implemented a multi-layered safety supervision network by combining daily inspections, seasonal checks, and specialized audits. Identified safety hazards are managed through a closed-loop process to ensure corrective measures are effectively implemented.

To further enhance safety management standards, the Group has established a scientific work safety performance evaluation system. Using accident control and safety goal achievement as core metrics, departments and individuals are assessed quantitatively, with results linked to reward and penalty mechanisms. Through regular evaluations and continuous improvement, the Group continuously optimizes safety management processes, raises overall safety awareness, and drives sustained improvements in work safety management.

Case Study: 2024 Occupational Health and Safety Education and Training

4.3.3. Emergency Preparation and Response

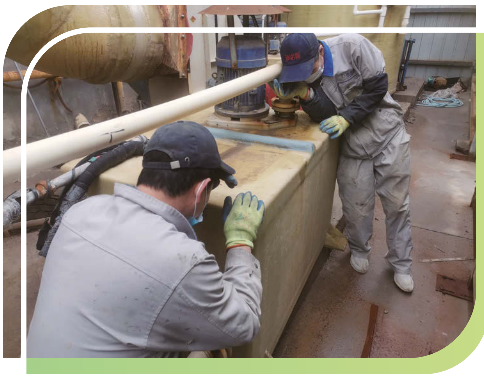
The Group places significant emphasis on work safety management, systematically establishing a safety risk prevention and control system. In terms of institutional development, the Group has developed and refined normative documents such as the *Emergency Action Plan*, the *Hidden Danger Investigation and Rectification Form* and the *Fire Drill Plan*, creating a comprehensive emergency management framework. For risk prevention and control, the Group has formulated the *Safety Management System for Hazard Identification and Rectification*, aiming to fulfil corporate work safety responsibilities and establish a long-term mechanism for hazard identification and rectification. Through regular hazard identification and rectification efforts, the Group employs standardized inspection forms to implement dynamic supervision, ensuring timely identification and resolution of safety hazards.

To address production safety risks, the Group has established a tiring and categorized emergency response system. By regularly organizing company-wide specialized drills, including but not limited to fire evacuation drills, special equipment (forklifts, cranes) operation safety drills, and hazardous chemical spill response drills, the Group continuously enhances employees' emergency response capabilities.

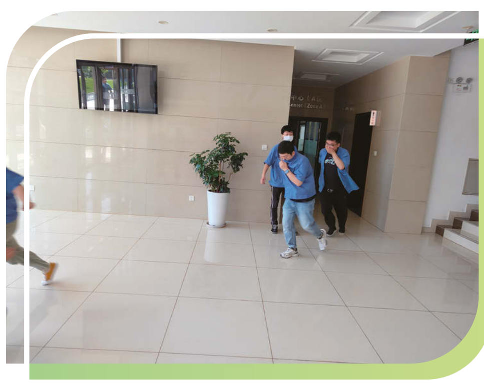
In terms of office safety management, the Group has developed the *Fire Emergency Response Plan* and the *Electric Shock Emergency Response Plan*, tailored to the characteristics of the office environment. These plans clearly define the procedures and response mechanisms for handling emergencies. Through regular office safety hazard inspections and emergency evacuation drills, the Group comprehensively enhances safety management standards in office spaces, effectively safeguarding employees' lives and property.

During the Reporting Period, the Group organized confined space emergency drills, fire emergency drills, mechanical injury emergency drills, and electric shock emergency response exercises at the Gu'an Denox production base in April, June, October, and November, respectively. Through these drills, employees have comprehensively mastered the action procedures for handling various emergencies, including early warning responses, on-site first aid, personnel evacuation, and incident reporting. Additionally, employees have become proficient in the correct use of various protective equipment, firefighting devices, and first aid supplies, further enhancing their emergency response capabilities and safety operation skills.

Case Study: 2024 Gu'an Denox Confined Space Safety Drill



Case Study: 2024 Gu'an Denox Fire Drill



4.4. Talent Development

The Group consistently upholds the philosophy of "talent-driven development", deeply integrating employees' personal career plans with the Group's strategic growth and is committed to building a high-caliber, professional, and exceptional team. To comprehensively enhance employees' professional capabilities and unlock their potential, the Human Resources Department has developed the *2024 Annual Training Plan*. Based on role requirements and employee development pathways, the plan features multi-level, multi-dimensional training topics, covering professional skill enhancement, management capability development, and industry-leading knowledge. Through a robust training record and evaluation mechanism, the Group ensures employees acquire professional knowledge, core skills, and industry standards required for their roles.

The Group has established a comprehensive new employee training system and corporate training management framework. Through systematic onboarding training and rigorous assessment mechanisms, the Group ensures new employees quickly acquire the professional skills required for their roles and fulfil their responsibilities. Additionally, we innovatively implement a "mentorship program", assigning each new employee a seasoned mentor to provide one-on-one professional guidance and career development advice. This approach helps new employees swiftly adapt to the work environment, gain a deeper understanding of corporate culture, and achieve a smooth transition from newcomers to skilled professionals.

To achieve mutual growth for employees and the company, the Group has specifically formulated the *External Training System of the Company*, designed to incentivize employees to actively participate in external training programs aligned with their career development plans through a reward mechanism, continuously enhancing their professional skills and overall competencies. Additionally, we have established a comprehensive career development support system, offering tailored skill enhancement courses to help employees achieve their career goals, thereby driving the continuous optimization of the Group's talent pipeline and strategic development.

During the Reporting Period, the Group provided employees with training in various areas, including risk and opportunity identification, DeNOx catalysts knowledge, product sales, legal regulations and relevant standards, and internal auditing.

Case Study: Records of Employee Training

员工培训记录表

编号：DENOX/JL-012

时间	2024. 3. 1	培训人	王静
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	2024. 4. 20	培训人	王静
地点	会议室	培训方式	讲授
培训题目	法律法规及相关规范标准培训		

参加培训人员：

管理层、部门负责人、各部门员工代表（共计 7 人）

培训内容：

与公司运行相关的法律法规及其它要求内容：

1. 质量管理法律法规及标准要求：产品质量法、合同法、生产标准等；
2. 环境管理法律法规及标准要求：环境保护法、消防法、消防条例、水污染防治法、大气污染防治法、固体废弃物污染环境防治法、国家危废名录等；
3. 职业健康安全法律法规及标准要求：职业病防治法、安全生产法、本地区安全生产条例等。

考试方式及成绩：

问答、合格

培训效果的评价

培训有效，实现培训目的。

评价人：刘连超

编制：王静

员工培训记录

DENOX/JL-012

时间	2024. 5. 4	培训人	刘伟
地点	会议室	培训方式	讲授
培训题目	管评、内审培训		

参加培训人员：

管理层、部门经理、职业健康安全事务代表、内审员

培训内容：

1、 管评、内审相关知识及各部门所涉及的工作范围；

2、 管评、内审的工作流程，要求等注意事项。

考试方式及成绩：

问答、合格

培训效果的评价

通过培训，部门负责人及员工了解了管理评审和内审的标准要求及工作安排，培训有效，达到培训目的。

评价人：赵姝

编制：王静

员工培训记录

DENOX/JL-012

时间	2024. 7. 20	培训人	申倩
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

	Percentage of Employees Trained[15]	Average Training Hours Completed per Employee[16]
By gender		
Male	78.33%	4.38
Female	21.67%	4.21
By employee category		
Leader	4.44%	7.38
Manager	7.22%	3.85
Senior employee	18.89%	4.00
General employee	69.44%	4.29

5. Quality Comes First

The Group consistently adheres to the core principle of delivering high-quality products and services to customers, continuously striving for excellence in product and service quality, and is committed to earning broader social recognition and enhancing the corporate image. The Group strictly complies with laws and regulations related to product responsibility that have a significant impact on its operations, including the *Law of the People's Republic of China on Work Safety,* 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 has not engaged in any activities that violate these laws and regulations.

15 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.

16 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.

5.1. Product Quality

The Group consistently upholds the principle of prioritizing product performance, quality, and safety, setting the product quality target at a 100% pass rate. During the Reporting Period, to continuously enhance the Group's quality management standards, further strengthen the efficient integration of technical R&D and production, and comprehensively improve product pass rates and market competitiveness, the Group optimized its organizational structure by merging the Technical R&D Department and the Quality Technology Department into a "Quality and R&D Center". This center is fully responsible for core tasks such as product development, process improvement, and quality control. Additionally, it includes sub-departments such as the Formulation Technology Department, Production Process Department, and Quality Technology Department, aiming to drive the efficient translation of research and development achievements into production through closer collaboration mechanisms, ensuring continuous improvement in product quality.

The Group has established a comprehensive quality assurance system and inspection procedures across all stages of the production process, consistently committed to delivering the highest quality and safest products and services to customers. To further stabilize production processes, the Group optimized the division of responsibilities within the production center during the Reporting Period, establishing sub-departments such as the Honeycomb Workshop, Plate Workshop, Coating Workshop, Equipment Team, and Production Office to ensure efficient coordination and precise control at every stage. Additionally, the Group has developed scientifically sound systems and standards, including the *Technical Specification for Titanium Powder Inspection,* the *Technical Specification for Flat-plate Denitrification Catalyst Inspection,* and the *Technical Specification for Honeycomb Denitrification Catalyst Inspection*, which set rigorous inspection standards for raw materials and finished products. Through inspections, the Group monitors in real-time whether products meet process requirements and testing standards. The Group has also established the *Non-Conforming Product Isolation System and Handling Plan*, ensuring effective quality control for each batch of products and maximizing the protection of customer interests and product safety.

Raw Material Procurement

- The Group rigorously selects and controls raw materials to ensure compliance with relevant standards. We have established the *Raw Materials Inspection Guidebook*, which mandates inspectors to follow the detailed inspection criteria and operational procedures outlined in the *Raw Materials Inspection Guidebook* Card for inspecting and controlling materials entering the facility.

Production Process

- The Group has established the *Production Process Inspection Guidebook* to standardize inspection criteria for all production and packaging processes, ensuring that inspectors conduct accurate checks and tests on semi-finished and finished products. Additionally, we have developed finished product inspection standards, requiring rework or disposal of non-compliant products to ensure all products meet quality requirements.

Product Delivery

- The Group implements comprehensive protective measures for packaged products to ensure their original quality is maintained throughout the entire delivery and acceptance process. Additionally, we assign dedicated personnel to provide customers with clear instructions on product usage and address any related technical inquiries, guaranteeing smooth and trouble-free product operation.

If non-conforming products are identified after delivery or use, the Group will strictly follow the major quality issue resolution mechanism, immediately communicate with the customer, and develop a solution. The Group will conduct an in-depth analysis of the root causes of non-conformance, implement effective corrective actions, and establish preventive measures to avoid recurrence of similar issues. All products undergo rigorous quality inspections and are only delivered to customers after passing these checks. During the Reporting Period, the Group did not experience any product recalls.

Certification for Environmental Management System, Occupational Health and Safety Management System and Quality Management System


CERTIFICATE

BCC

Certificate No: 016ZB23E31618R2S

CERTIFICATE OF ENVIRONMENT MANAGEMENT SYSTEM CERTIFICATION

Date of Initial Issuance:Aug. 23, 2017/ Date of Re-certification Issuance:Aug. 18, 2023
Date of Expiration:Aug. 22, 2026

This is to Certify that the Environment Management System of

BEIJING DENOX ENVIRONMENT & TECHNOLOGY CO., LTD.

is in conformity with
GB/T24001-2016 idt ISO14001:2015 Standard, applies to
TECHNICAL DEVELOPMENT, SALES, AND AFTER-SALES SERVICE OF DENITRIFICATION CATALYSTS (EXCLUDING HAZARDOUS CHEMICALS AND CLASS I PRECURSOR CHEMICALS)

BCC Inc.
President:

Unified social credit code:911101065620545615
REGISTERED ADDRESS:ROOM 1506-1, FLOOR 12, BUILDING 2, YARD 128, SOUTH FOURTH RING WEST ROAD, FENGTAI DISTRICT, BEIJING,P.R.C.
OPERATION ADDRESS:ROOM 1506-1, FLOOR 12, BUILDING 2, YARD 128, SOUTH FOURTH RING WEST ROAD, FENGTAI DISTRICT, BEIJING,P.R.C.

IAF CNAS
MANAGEMENT SYSTEM
CNAS C016-M


CERTIFICATE

BCC

Certificate No: 016ZB23Q32132R2S

CERTIFICATE OF QUALITY MANAGEMENT SYSTEM CERTIFICATION

Date of Initial Issuance:Aug. 23, 2017/ Date of Re-certification Issuance:Aug. 18, 2023
Date of Expiration:Aug. 22, 2026

This is to Certify that the Quality Management System of

BEIJING DENOX ENVIRONMENT & TECHNOLOGY CO., LTD.

is in conformity with
GB/T 19001-2016 idt ISO 9001:2015 Standard, applies to
TECHNICAL DEVELOPMENT, SALES, AND AFTER-SALES SERVICE OF DENITRIFICATION CATALYSTS (EXCLUDING HAZARDOUS CHEMICALS AND CLASS I PRECURSOR CHEMICALS)

BCC Inc.
President:

Unified social credit code:911101065620545615
REGISTERED ADDRESS:ROOM 1506-1, FLOOR 12, BUILDING 2, YARD 128, SOUTH FOURTH RING WEST ROAD, FENGTAI DISTRICT, BEIJING,P.R.C.
OPERATION ADDRESS:ROOM 1506-1, FLOOR 12, BUILDING 2, YARD 128, SOUTH FOURTH RING WEST ROAD, FENGTAI DISTRICT, BEIJING,P.R.C.

IAF CNAS
MANAGEMENT SYSTEM
CNAS C016-M


CERTIFICATE

BCC

Certificate No: 016ZB23S31495R2S

CERTIFICATE OF OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION

Date of Initial Issuance:Aug. 23, 2017/ Date of Re-certification Issuance:Aug. 18, 2023
Date of Expiration:Aug. 22, 2026

This is to Certify that the Occupational Health and Safety Management System of

BEIJING DENOX ENVIRONMENT & TECHNOLOGY CO., LTD.

is in conformity with
GB/T 45001-2020 idt ISO 45001:2018 Standard, applies to
TECHNICAL DEVELOPMENT, SALES, AND AFTER-SALES SERVICE OF DENITRIFICATION CATALYSTS (EXCLUDING HAZARDOUS CHEMICALS AND CLASS I PRECURSOR CHEMICALS)

BCC Inc.
President:

Unified social credit code:911101065620545615
REGISTERED ADDRESS:ROOM 1506-1, FLOOR 12, BUILDING 2, YARD 128, SOUTH FOURTH RING WEST ROAD, FENGTAI DISTRICT, BEIJING,P.R.C.
OPERATION ADDRESS:ROOM 1506-1, FLOOR 12, BUILDING 2, YARD 128, SOUTH FOURTH RING WEST ROAD, FENGTAI DISTRICT, BEIJING,P.R.C.

IAF CNAS
MANAGEMENT SYSTEM
CNAS C016-M


CERTIFICATE

BCC

Certificate No: 016ZB23S32130R2M

CERTIFICATE OF OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION

Date of Initial Issuance:Nov. 21, 2017/ Date of Re-certification Issuance:Nov. 24, 2023/ Date of Expiration:Nov. 20, 2026
(Date of Re-certification Audit:Nov. 13, 2023 To Nov. 15, 2023, Date of Last Certification Cycle Expiration:Nov. 20, 2023)

This is to Certify that the Occupational Health and Safety Management System of

GU' AN DENOX ENVIRONMENTAL PROTECTION EQUIPMENT MANUFACTURING CO., LTD.

is in conformity with
GB/T 45001-2020 idt ISO 45001:2018 Standard, applies to
TECHNICAL DEVELOPMENT, PRODUCTION, SALES, AND AFTER-SALES SERVICE OF DENITRIFICATION CATALYSTS (EXCLUDING HAZARDOUS CHEMICALS AND CLASS I PRECURSOR CHEMICALS); CONSTRUCTION OF ENVIRONMENTAL PROTECTION PROJECTS WITHIN THE SCOPE OF QUALIFICATION

BCC Inc.
President:

Unified social credit code:91131022560494627T
REGISTERED ADDRESS:THE EAST SIDE OF SIHAI ROAD AND THE NORTH SIDE OF ZHENGXING STREET IN THE SOUTH AREA OF GU'AN INDUSTRIAL PARK, LANGFANG CITY, HEBEI PROVINCE,P.R.C.
OPERATION ADDRESS:SOUTH ZONE OF INDUSTRIAL PARK, GU'AN COUNTY, LANGFANG CITY, HEBEI PROVINCE,P.R.C.

IAF CNAS
MANAGEMENT SYSTEM
CNAS C016-M

Certification for Environmental Management System, Occupational Health and Safety Management System and Quality Management System

CERTIFICATE

Certificate No: 016ZB23E32285R2M

CERTIFICATE OF ENVIRONMENT MANAGEMENT SYSTEM CERTIFICATION

Date of Initial Issuance:Nov. 21, 2017/ Date of Re-certification Issuance:Nov. 24, 2023/ Date of Expiration:Nov. 20, 2026

(Date of Re-certification Audit:Nov. 13, 2023 To Nov. 15, 2023, Date of Last Certification Cycle Expiration:Nov. 20, 2023)

This is to Certify that the Environment Management System of

GU' AN DENOX ENVIRONMENTAL PROTECTION EQUIPMENT MANUFACTURING CO., LTD.

is in conformity with GB/T24001-2016 idt ISO14001:2015 Standard, applies to TECHNICAL DEVELOPMENT, PRODUCTION, SALES, AND AFTER-SALES SERVICE OF DENITRIFICATION CATALYSTS (EXCLUDING HAZARDOUS CHEMICALS AND CLASS I PRECURSOR CHEMICALS); CONSTRUCTION OF ENVIRONMENTAL PROTECTION PROJECTS WITHIN THE SCOPE OF QUALIFICATION

BCC Inc.
President:

Unified social credit code:91131022560494627T
REGISTERED ADDRESS:THE EAST SIDE OF SIHAI ROAD AND THE NORTH SIDE OF ZHENGXING STREET IN THE SOUTH AREA OF GU'AN INDUSTRIAL PARK, LANGFANG CITY, HEBEI PROVINCE,P.R.C.
OPERATION ADDRESS:SOUTH ZONE OF INDUSTRIAL PARK, GU'AN COUNTY, LANGFANG CITY, HEBEI PROVINCE,P.R.C.

CERTIFICATE

Certificate No: 016ZB23Q3J20519R2M

CERTIFICATE OF QUALITY MANAGEMENT SYSTEM CERTIFICATION

Date of Initial Issuance:Nov. 21, 2017/ Date of Re-certification Issuance:Nov. 24, 2023/ Date of Expiration:Nov. 20, 2026

(Date of Re-certification Audit:Nov. 13, 2023 To Nov. 15, 2023, Date of Last Certification Cycle Expiration:Nov. 20, 2023)

This is to Certify that the Quality Management System of

GU' AN DENOX ENVIRONMENTAL PROTECTION EQUIPMENT MANUFACTURING CO., LTD.

is in conformity with GB/T19001-2016 idt ISO9001:2015 Standard TECHNICAL DEVELOPMENT, PRODUCTION, SALES, AND AFTER-SALES SERVICE OF DENITRIFICATION CATALYSTS (EXCLUDING HAZARDOUS CHEMICALS AND CLASS I PRECURSOR CHEMICALS); CONSTRUCTION OF ENVIRONMENTAL PROTECTION PROJECTS WITHIN THE SCOPE OF QUALIFICATION; AMONG THEM, THE CONSTRUCTION OF ENVIRONMENTAL PROTECTION ENGINEERING ALSO COMPLIES WITH THE GB/T50430-2017 STANDARD

BCC Inc.
President:

Unified social credit code:91131022560494627T
REGISTERED ADDRESS:THE EAST SIDE OF SIHAI ROAD AND THE NORTH SIDE OF ZHENGXING STREET IN THE SOUTH AREA OF GU'AN INDUSTRIAL PARK, LANGFANG CITY, HEBEI PROVINCE,P.R.C.
OPERATION ADDRESS:SOUTH ZONE OF INDUSTRIAL PARK, GU'AN COUNTY, LANGFANG CITY, HEBEI PROVINCE,P.R.C.

The Group is continuously committed to updating and enhancing its quality management systems to ensure the consistent delivery of exceptional products and services to customers. During the Reporting Period, the Group successfully obtained certifications for the GB/T24001-2016 idt ISO14001:2015 for the 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. These certifications reflect the Group's outstanding capabilities in the development, sales, and after-sales service of denitrification catalysts, as well as its high-quality standards in environmental engineering projects. By continuously improving its management systems, the Group provides superior products and services, thereby strengthening customer confidence.

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

本注册要求组织必须按照上述标准保持其质量管理体系，并由 NQA 进行监督。若有任何争议，以英文证书为准

Managing Director

NQA Certificate No: T82580

IATF Certificate No: 0445218

First Issue Date: 03 March 2022

Valid Until: 02 March 2025

Version: 2

Page 1 of 2

CNAS

China National Accreditation Service for Conformity Assessment

LABORATORY ACCREDITATION CERTIFICATE

(Registration No. CNAS L18882)

Testing Center of Guan Denox Environmental Protection Equipment Manufacturing Co., Ltd.

(Legal Entity: Guan Denox Environmental Protection Equipment Manufacturing Co., Ltd.)

East of Sihai Road and North Zhengxing Street, South District, Gu 'an Industrial Park, Langfang, Hebei, China

is accredited in accordance with ISO/IEC 17025: 2017 General Requirements for the Competence of Testing and Calibration Laboratories(CNAS-CL01 Accreditation Criteria for the Competence of Testing and Calibration Laboratories) for the competence to undertake the service described in the schedule attached to this certificate.

The scope of accreditation is detailed in the attached schedule bearing the same registration number as above. The schedule forms an integral part of this certificate.

Effective Date：2023-08-17

Expiry Date：2029-08-16

Signed on behalf of China National Accreditation Service for Conformity Assessment

5.2. Product Responsibility

5.2.1. Product Health and Safety

The Group is committed to providing customers with healthy and safe products. The Group strictly adheres to national product production standards and incorporates customers' specific requirements as design input, developing operational guidelines and quality standards for every stage from raw materials to finished products. This ensures that product safety is rigorously monitored throughout the entire process. During experimental development, process scale-up, and mass production, the Group strictly follows operating procedures to ensure products are risk-free and non-hazardous. Additionally, through regular calibration of measurement and monitoring equipment, as well as periodic maintenance and validation of production equipment, the Group further strengthens the foundation for product safety, delivering high-quality products that customers can trust.

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 places significant emphasis on the standardized management of product trademarks. To this end, the Group has developed a dedicated *Management Manual*, which mandates the clear labelling of key information such as product name, product standard number, and product quality inspection certification on product labels. To ensure the authenticity and validity of product labels, the Group conducts regular audits and inspections to prevent misuse during product delivery. In the event of any product issues, the Group uses the unique label of each product to trace its origin, responsible parties, and distribution channels, swiftly identifying the cause of the issue and taking appropriate measures. This ensures traceability of product quality and rigorous management, providing customers with safer and more reliable product assurance.

5.2.3. Product Research and Development

The Group consistently upholds an innovative-driven corporate culture, committed to delivering exceptional products and services to customers through continuous technological R&D and production process improvements. To ensure the rigor and efficiency of the R&D process, the Group has established the *Control Procedure for Design and Development*, which strictly oversees product technology development and improvement processes. Through a series of review and validation procedures, the Group ensures that all products meet relevant standards and requirements.

During the Reporting Period, in response to market changes and strategic adjustments, the Group announced the optimization of its product R&D strategy. The focus of the Quality and R&D Centre has shifted from vehicle products to cost reduction and new product development in industrial products, particularly increasing investment in areas such as CO catalysts for the industrial metallurgy sector and industrial coating catalysts. Currently, the Group has completed equipment commissioning and trial production for corrugated plate catalysts. The project team will receive performance incentives in phases based on equipment readiness and order delivery progress, encouraging the rapid translation of innovative achievements.

To further enhance research and development efficiency, the Group has strengthened the project manager responsibility system for new product development. Drawing on the successful experience of the corrugated plate project, the Group has implemented performance incentive mechanisms for projects such as CO catalysts for metallurgy and CO catalysts for gas turbine units. These mechanisms encourage technical staff to actively participate in research and development, enhancing their personal capabilities and income while contributing to the Group's new product development and sustaining market competitiveness. Additionally, during the Reporting Period, the Group integrated the functions of the advanced technology research team under the Industrial Division into the Formulation Technology Department, further consolidating resources and focusing on the development and innovation of cutting-edge industrial product technologies.

Moving forward, the Group will continue to prioritize technological innovation, driving the development of cutting-edge technologies for industrial products. This will enable the Group to provide customers with higher-quality and more efficient solutions, contributing to the sustainable development of the industry.

Beijing Denox Honored as an Influential Enterprise in Denitrification Catalysts at the 2024 "Polaris Cup" Awards

Gu'an Denox Certified as an Innovative Small and Medium-sized Enterprise in Hebei Province

5.2.4. Intellectual Property

The Group fully complies with the provisions of 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 successfully obtained the Intellectual Property Management System Certification, serving as a solid foundation for the Group's commitment to safeguarding intellectual property and preventing infringement. To effectively prevent disputes and fully protect the legal rights of intellectual property owners, the Group clearly labels intellectual property ownership information on product packaging at every stage of product development.

Additionally, Gu'an Denox has developed the *Intellectual Property Management Manual*, establishing a corporate intellectual property management system that clearly defines the specific responsibilities of each department in intellectual property management. For example, the Procurement Center is responsible for contract review and dispute resolution, while the Technology R&D Department leads the advancement of standardization efforts. These measures ensure the continuous optimization and improvement of the intellectual property management system, providing strong support for the Group's innovation-driven development strategy.

As a company dedicated to catalyst research and development, the Group actively strives to transform technological achievements into patent protection to safeguard its legal rights. To date, the Group has successfully obtained multiple patent certificates, including software copyrights, utility model patents, and invention patents. As of the end of the Reporting Period, Gu'an Denox has been awarded a total of 25 patents.

5.3. High Quality Services

5.3.1. Customer Services

The Group is committed to enhancing the quality of its services and products to build long-term, stable partnerships with customers. We consistently prioritize customer feedback and insights, maintaining proactive and efficient communication mechanisms throughout the sales process. To this end, the Group has developed and implemented the *Control Procedure of Customer Satisfaction* and the *Control Procedure of Customer-related Process.* These documents clearly define standardized communication protocols across the entire service lifecycle, ensuring the prompt capture and addressing customers' specific requirements and valuable feedback on products and services, thereby continuously improving customer satisfaction.

Pre-sale service

- Utilize 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
- Introduce 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 comprehensive service complaint handling mechanism to address various customer concerns raised during service delivery. All customer complaints are processed in strict accordance with standardized procedures upon receipt. This includes creating a formal record of the complaint, documenting key details such as the time, specific content, and customer requests, while simultaneously activating a management notification mechanism. The department responsible then conducts a root cause analysis to ensure precise identification of the issue. Throughout the process, the Group maintains two-way communication with the customer, collaboratively developing solutions that include improvement measures and service compensation and follow until the complaint is fully resolved. During the Reporting Period, the Group did not receive any customer complaints related to products or services.

5.3.2. Privacy Protection for Customers

The Group consistently prioritizes customer privacy protection, strictly implementing a confidential storage system for customer data to prevent information leakage. To this end, the Group has formulated the *Company Confidentiality Management System (Trial),* clearly defining the responsibilities and roles of each department in confidentiality management. Given that the Marketing Department handles and stores a significant amount of customer information in its daily operations, the Group has implemented specialized data encryption measures. Initial customer information forms are submitted by sales managers to regional directors, then consolidated by the marketing department's internal staff and reported to divisional leaders, with no unauthorized access permitted. For project data related to signed contracts, the Group enforces a unified custody system to ensure information security.

Additionally, the Group has signed confidentiality agreements with all employees, requiring strict adherence to customer privacy protection regulations, further enhancing the confidentiality management system. Through the effective implementation of these measures, the Group has not experienced any customer privacy breaches during the Reporting Period, ensuring the security of customer information and safeguarding privacy rights.

5.3.3. Avoid False Publicity

The Group consistently adheres to the principles of integrity and fairness in all transactions, strictly complying with the *Advertising Law of the People's Republic of China* and related regulations and resolutely prohibits any form of fraudulent or pyramid scheme activities. In the management of promotional materials and website content, the Group has established a rigorous multi-level review mechanism. All promotional content undergoes compliance review by a professional legal team to ensure accuracy and legal conformity. Before external release, promotional materials must pass content review, with a focus on verifying the accuracy of product technical descriptions and compliance with intellectual property rights, preventing any instances of infringement.

To ensure the accuracy and authority of information dissemination, the Group has established clear guidelines requiring all information released through official channels to undergo management review and approval, preventing potential customer rights infringement due to information errors at the source. For customer requests to access internal documents, the Group has implemented a standardized response approval process. Relevant business departments draft responses, which must then be reviewed and confirmed by senior management to ensure the information provided to customers is truthful, accurate, and complete. Through the effective implementation of these measures, the Group has not experienced any customer complaints or legal disputes arising from information errors during the Reporting Period.

6. Responsible Operation

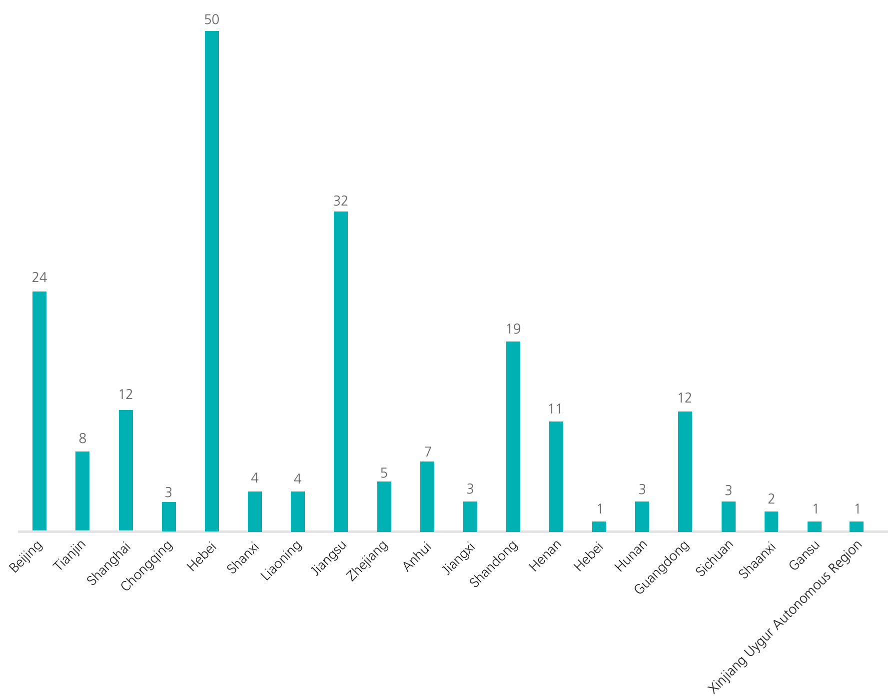
6.1. Supplier Management

The Group upholds the philosophy of "collaborative success and sustainable development", placing great emphasis on building and maintaining long-term, stable strategic partnerships with suppliers. We not only focus on the quality of suppliers' products and their service capabilities but also prioritize their performance in environmental protection and social responsibility, striving to promote sustainable development across the entire supply chain.

To standardize supplier management, the Group has developed documents such as the *Procurement System for the Procurement Department,* the *Code of Conduct for Procurement Personnel of the Company* and the *Procurement and Supplier Management System*, which clearly define the evaluation criteria and selection process for suppliers. The Group conducts preliminary screening of potential suppliers through market research and forms a cross-departmental supplier evaluation team. Through on-site inspections and other methods, each candidate supplier is assessed and scored individually. Qualified new suppliers are added to the *Qualified Supplier Directory*, and the top performing suppliers are ultimately selected.

To ensure suppliers continue to meet the Group's requirements, we implement an annual review mechanism for suppliers listed in the *Qualified Supplier Directory*. The Procurement Center is responsible for organizing the qualification review process. Using the *External Supplier Evaluation Form*, the review covers key dimensions such as product quality, production capacity, supply capability, technical expertise, environmental and safety compliance, reputation and after-sales service, pricing and delivery timelines, and operational qualifications. This ensures suppliers meet the Group's standards in quality, environmental performance, and social responsibility. During the Reporting Period, the Group completed reviews of 34 suppliers and established partnerships with 205 high-quality suppliers, further strengthening the stability and competitiveness of the supply chain.

No. of suppliers by geographical region



The Group considers environmental and social responsibility performance as one of the core criteria for supplier selection, rigorously evaluating suppliers' social and environmental performance. Suppliers demonstrating environmental and social responsibility are prioritized for inclusion in the *Qualified Supplier Directory.* During the evaluation process, we focus on key indicators such as whether the supplier has faced environmental penalties, obtained relevant emission permits, and maintained the proper operation of environmental protection facilities. This ensures compliance with national environmental regulations and the Group's sustainability requirements.

To strengthen suppliers' awareness of environmental and social responsibility, the Group explicitly includes environmental and safety requirements in cooperation contracts, mandating strict compliance with relevant regulations. Additionally, the Group continuously monitors suppliers' environmental and social performance through regular review mechanisms. If a supplier fails to meet environmental or social responsibility standards, the Group will require corrective actions within a specified timeframe. Suppliers that successfully rectify issues may be downgraded in usage, while those that fail to improve or repeatedly violate regulations will have their partnerships terminated.

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, and safety management system for dangerous goods and corresponding records

The Group consistently upholds the principle of "green procurement", prioritizing environmental protection as a key factor in the procurement of goods and services, aiming to minimize the negative impact of operations on human health and the environment. To implement this principle, the Group has developed and implemented a series of specific measures. At Gu'an Denox, all office equipment and appliances must meet China Energy Label Grade 4 or higher standards. Additionally, lighting fixtures in production facilities and office areas have been fully replaced with energy-efficient LED bulbs, significantly reducing energy consumption in both office and production operations and achieving efficient utilization of electricity resources.

Additionally, Beijing Denox strictly adheres to environmental standards in the transportation process, using only vehicles that meet National V or higher emission standards for product delivery, effectively reducing carbon emissions during transportation. Furthermore, cleaning products used in factory and office areas must be low volatile organic compound (VOC) products, ensuring comprehensive control of environmental impacts through attention to daily operational details. Through these initiatives, the Group has not only achieved its green operations goals but also made a positive contribution to promoting sustainable development within the industry.

6.2. Anti-corruption

The Group consistently regards integrity and anti-corruption as the cornerstone of its corporate culture, maintaining a "zero-tolerance" stance towards corrupt practices and continuously improving its corporate governance system to maintain a positive corporate image and social reputation. The Group strictly complies with laws and regulations such as 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-money Laundering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Bidding and Tendering Law of the People's Republic of China*, resolutely prohibiting illegal activities such as bribery, extortion, fraud, and money laundering.

To strengthen internal management, the Group has formulated and strictly enforced the *Anti-Corruption and Anti-Bribery Control Procedures* and the *Corporate Integrity and Self-discipline Management System*, establishing a robust anti-corruption framework at the institutional level. The Group places significant emphasis on integrity education, providing comprehensive anti-corruption training for directors, employees, and business partners, and incorporating anti-corruption education into new employee onboarding programs to instill a bottom-line mindset of ethical conduct. Through the distribution of training materials via email and online learning platforms, the Group ensures employees acquire anti-corruption knowledge and enhance their integrity awareness. Additionally, the Group requires personnel in key positions to sign the *Anti-Corruption and Anti-Bribery Control Procedures* and the Corporate Integrity and Self-discipline Management System. For high-risk procurement processes, the Group has established the *Code of Conduct for Procurement Personnel of the Company* to prevent corrupt practices at the source. Furthermore, the Group signs the *Undertaking Combating Bribery/ Corruption for Supplier* and the *Supplier Integrity Cooperation Agreement* with suppliers, jointly building a transparent and ethical business partnership.

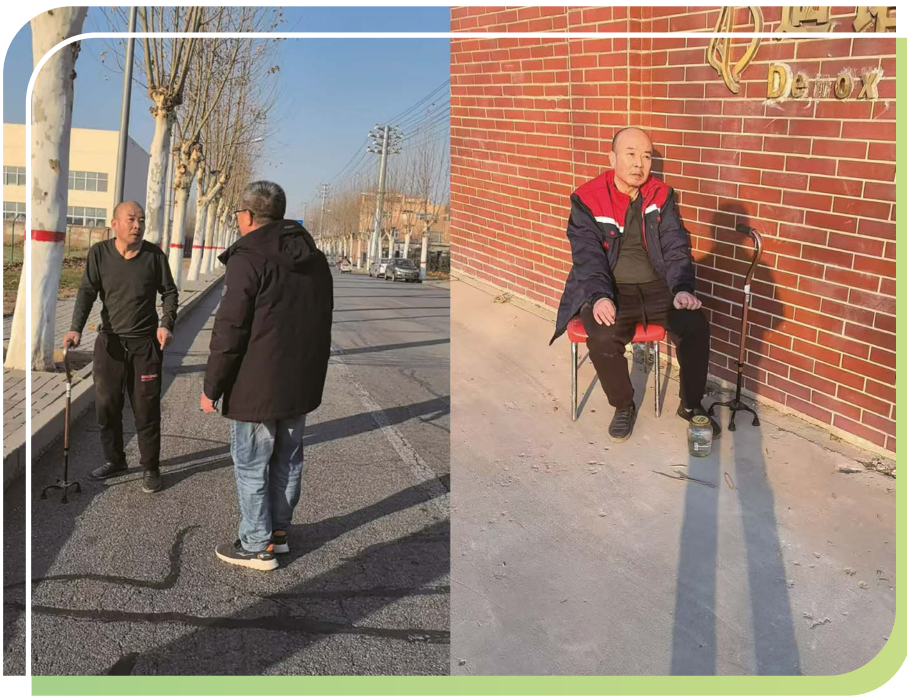
To rigorously combat corrupt practices, the Group has established a diversified range of reporting channels, including whistleblower hotlines and complaint boxes, to encourage employees and partners to report incidents of bribery, extortion, fraud, money laundering, and other illicit activities. We are committed to strictly safeguarding the rights and interests of whistleblowers. The *Anti-Corruption and Anti-Bribery Control Procedures* outlines in detail the reporting mechanisms, investigation processes, and handling protocols. Reported cases that are substantiated following investigation will be addressed in accordance with our internal management policies, with serious consequences imposed as appropriate. In instances where criminal activity is identified, the matter will be referred to judicial authorities for legal action. During the Reporting Period, the Group did not encounter any corruption-related legal proceedings.

6.3. Caring for the Community

The Group fully recognizes that corporate sustainability and community development are interconnected and mutually reinforcing. To actively fulfil social responsibilities and contribute to local communities, the Group proactively engages communities to understand their expectations and needs regarding our operations and implements responsive actions. Under the *Control Procedure of Environmental Factors' Identification and Assessment*, the Group has clearly defined key environmental factors such as emissions and resource consumption, along with their potential impacts. Departments are required to assess specific environmental factors based on operational realities, identify critical aspects, and develop targeted control measures.

During the Reporting Period, the Group maintained rigorous monitoring of the environment around our production facilities, strictly managing noise and airborne pollutants generated during operations to minimize their impact on surrounding areas and prevent community disruption. Concurrently, we prioritized community engagement by enhancing complaints and feedback mechanisms to ensure transparency. We actively addressed concerns raised by residents near our facilities, conducting prompt investigations, resolving issues efficiently, and providing timely responses to safeguard community interests and promote harmonious coexistence. Furthermore, we remain deeply invested in community welfare. In times of hardship or urgent need, we swiftly offer compassionate support and practical assistance to residents, reinforcing our commitment to shared well-being.

Case Study: Gu'an Denox Assists in Rescuing a Missing Elderly Person



During the winter of 2024, Our employees provided warm clothing to a lost elderly individual and safely reunited him with his family.

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.	3.1 Environmental Management
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 2.3 ESG Management System, Targets and Performance
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 2.3 ESG Management System, Targets and Performance

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 2.3 ESG Management System, Targets and Performance
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 2.3 ESG Management System, Targets and Performance
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

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
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
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

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
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
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

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
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
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.	5.2 Product Responsibility
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

General Disclosures and KPI	Description	Relevant Sections in the ESG Report
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.3 High Quality Services
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 for the Community
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	6.3 Caring for the Community
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	6.3 Caring for the Community

CL Partners

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 138 to 205, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 year. 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 2024, the net carrying amounts of the property, plant and equipment and right-of-use assets were RMB35,303,000 and RMB14,069,000. During the year ended 31 December 2024, the Group recorded 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. With the assistance of an independent professional valuer, the management of the Group performed an assessment on impairment of the assets at cash generating unit (the "**CGU**") level. During the year ended 31 December 2024, in the opinion of the directors of the Company, impairment losses of approximately RMB4,538,000 and nil, respectively, have been recognised on property, plant and equipment and right-of-use assets of the Group. 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 independent professional 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 estimates involving in the identification of obsolete and slow-moving inventories and measurement of the impairment loss of inventories. As set out in note 4 to the consolidated financial statements, the management estimates the net realisable value 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 usage or 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 2024, the carrying amount of inventories was approximately RMB297,545,000, net of accumulated impairment loss of approximately RMB2,074,000.	Our procedures in relation to the net realisable value of inventories included: • assessing management's estimations 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 write-down recognised by the management based on subsequent usage or 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basic for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work perform for purposes 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
Lo Chi Kin
Practising Certificate Number: P08415

Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	**2024 RMB'000**	2023 RMB'000
Revenue	7	**108,963**	126,392
Cost of sales		**(81,503)**	(101,864)
Gross profit		**27,460**	24,528
Selling and marketing expenses		**(29,046)**	(28,688)
Administrative expenses		**(26,405)**	(16,778)
Research and development expenses		**(8,052)**	(7,476)
Impairment loss recognised in respect of trade and retention receivables, net	22	**(538)**	(122)
Impairment loss recognised in respect of property, plant and equipment	17	**(4,538)**	–
Other income, gains and losses	9	**2,898**	1,737
Share of result of an associate	20	**9**	8
Finance income	10	**1,462**	1,850
Finance costs	10	**(577)**	(493)
Loss before tax		**(37,327)**	(25,434)
Income tax expense	11	**–**	–
Loss for the year	12	**(37,327)**	(25,434)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**1,428**	725
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**8**	–
Other comprehensive income for the year		**1,436**	725
Total comprehensive expense for the year		**(35,891)**	(24,709)
Loss per share attributable to owners of the Company	16		
Basic and diluted loss per share (RMB)		**RMB(0.06)**	RMB(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**35,303**	37,351
Right-of-use assets	18	**14,069**	8,424
Intangible assets	19	**–**	–
Interest in an associate	20	**125**	116
Long-term prepayments	24	**147**	128
		49,644	46,019
Current assets			
Inventories	21	**297,545**	220,199
Trade and retention receivables	22	**16,671**	23,376
Financial assets at fair value through other comprehensive income	23	**495**	66
Prepayments, deposits and other receivables	24	**12,766**	12,658
Restricted bank deposits	25	**–**	470
Bank deposits with original maturity over three months	25	**41,736**	24,077
Bank balances and cash	25	**18,067**	44,260
		387,280	325,106
Total assets		**436,924**	371,125
LIABILITIES			
Non-current liabilities			
Borrowings	29	**–**	1,740
Lease liabilities	18	**6,851**	323
Deferred income	31	**1,745**	2,053
		8,596	4,116
Current liabilities			
Trade payables	26	**33,462**	23,183
Accruals and other payables	27	**8,367**	10,472
Contract liabilities	28	**238,513**	161,167
Borrowings	29	**11,727**	2,748
Deferred income	31	**308**	308
Lease liabilities	18	**1,090**	1,462
Tax payables		**3,703**	3,703
		297,170	203,043
Total liabilities		**305,766**	207,159
Net assets		**131,158**	163,966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	NOTE	2024 RMB'000	2023 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**38,510**	31,423
Reserves		**92,648**	132,543
		131,158	163,966
Total equity		**131,158**	163,966
Total equity and liabilities		**436,924**	371,125

The consolidated financial statements on pages 138 to 205 were approved and authorised for issue by the board of directors on 28 March 2025 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 2024

	Note	Attributable to owners of the Company					
		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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

		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 2024		31,423	849,824	(552,410)	34,224	(199,095)	163,966
Loss for the year		–	–	–	–	(37,327)	(37,327)
Other comprehensive income for the year:							
Exchange differences arising on translation of financial statements from functional currency to presentation currency		–	–	–	1,428	–	1,428
Exchange differences on translation of foreign operations		–	–	–	8	–	8
Total comprehensive income (expense) for the year		–	–	–	1,436	(37,327)	(35,891)
Issue of shares (note 32)		7,087	(2,738)	–	–	–	4,349
Share issuance expenses (note 32)		–	(1,266)	–	–	–	(1,266)
At 31 December 2024		38,510	845,820	(552,410)	35,660	(236,422)	131,158

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 (as defined in Note 1) 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 2024, no (2023: no) appropriation was made to the statutory reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(37,327)**	(25,434)
Adjustments for:		
Finance income	**(1,462)**	(1,850)
Finance costs	**577**	493
Depreciation of property, plant and equipment	**6,012**	5,898
Depreciation of right-of-use assets	**1,937**	1,757
Share of result of an associate	**(9)**	(8)
Gain on early termination of leases	**(272)**	–
Loss on disposal of property, plant and equipment, net	**–**	81
Government grants amortised from deferred income	**(308)**	(308)
Write-down recognised (reversed) on inventories	**837**	(270)
Impairment loss recognised in respect of property, plant and equipment	**4,538**	–
Impairment loss recognised in respect of trade receivables and retention receivables, net	**538**	122
Operating cash flows before movements in working capital	**(24,939)**	(19,519)
Increase in inventories	**(78,183)**	(58,979)
Decrease (increase) in trade and retention receivables	**6,907**	(7,996)
(Increase) decrease in financial assets at fair value through other comprehensive income	**(429)**	9,332
Increase in prepayment, deposits and other receivables	**(115)**	(5,024)
Increase in trade payables	**10,279**	11,966
Increase in contract liabilities	**77,346**	63,860
(Decrease) increase in accruals and other payables	**(2,146)**	2,551
NET CASH USED IN OPERATING ACTIVITIES	**(11,280)**	(3,809)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(8,502)**	(337)
Proceeds on disposal of property, plant and equipment	**–**	11
Withdrawal of restricted bank deposits	**470**	2,629
Placement of restricted bank deposits	**–**	(499)
Withdrawals of bank deposits with original maturity over three months	**34,583**	24,715
Placements of bank deposits with original maturity over three months	**(51,211)**	(2,231)
Interest received	**1,462**	1,850
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(23,198)**	26,138
FINANCING ACTIVITIES		
Proceeds from issue of shares	**4,349**	–
Share issuance expenses paid	**(1,266)**	–
New bank borrowings raised	**9,980**	–
Repayments of lease liabilities	**(1,154)**	(1,296)
Repayments of bank borrowings	**(2,741)**	(512)
Interest paid	**(577)**	(493)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**8,591**	(2,301)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(25,887)**	20,028
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**44,260**	24,017
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(306)**	215
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**18,067**	44,260

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$**"), United States dollars ("**USD**") and Euro ("**EUR**").

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards 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 2024 for the preparation of the consolidated financial statements:

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

The application of the amendments to IFRS Accounting Standards 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 IFRS ACCOUNTING STANDARDS *(continued)*

New and amendments to IFRS Accounting Standards issued but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
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 Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[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 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

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

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 "Presentation of Financial Statements". IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the IFRS 18 is not expected to have material impact on the financial position of the Group. The directors of the Company are in the process of making an assessment of the impact of IFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards 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 MATERIAL ACCOUNTING POLICY INFORMATION *(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.

Investment in an associate

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 the associate 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 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Investment in an associate *(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 "Impairment of Assets" 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 "Financial instruments", 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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 "Leases" 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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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.

Exchange differences relating to the retranslation of the Company's functional currency to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Foreign currencies *(continued)*

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.

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 MATERIAL ACCOUNTING POLICY INFORMATION *(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.

Income tax expense

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 interest in an associate, 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 interest 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 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Income tax expense *(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.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 FVTOCI, 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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 and retention receivables by adjusting their carrying amount. For trade and retention receivables, 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 MATERIAL ACCOUNTING POLICY INFORMATION *(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, borrowings 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 MATERIAL ACCOUNTING POLICY INFORMATION *(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 2024, the net carrying amounts of property, plant and equipment and right-of-use assets were approximately RMB35,303,000 and RMB14,069,000 (2023: RMB37,351,000 and RMB8,424,000) 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 2024, the carrying amount of trade and retention receivables was approximately RMB16,671,000 (2023: RMB23,376,000), net of accumulated impairment loss of approximately RMB3,204,000 (2023: RMB2,723,000).

Write-down for inventories

The management of the Group reviews ageing analysis of inventories at the end of each reporting period and recognises write-down for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group recognises write-down for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the current market conditions, historical experience of selling products of similar nature and the latest selling prices of catalysts. As at 31 December 2024, the net carrying amount of inventories was approximately RMB297,545,000 (2023: RMB220,199,000), net of accumulated impairment loss for inventories of approximately RMB2,074,000 (2023: RMB1,237,000).

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 debts 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

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**82,826**	98,377
Financial assets at FVTOCI	**495**	66
Financial liabilities and lease liabilities		
Financial liabilities at amortised cost	**52,189**	35,690
Lease liabilities	**7,941**	1,785

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 borrowings. 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:

	2024 RMB'000	2023 RMB'000
USD	**45,632**	41,883
EUR	**2,191**	678
RMB	**–**	9
	47,823	42,570

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% (2023: 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% (2023: 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% (2023: 10%) against the relevant foreign currencies. For a 10% (2023: 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.

	2024 RMB'000	2023 RMB'000
Impact on loss		
USD	**3,780**	3,367
EUR	**165**	53
RMB	**–**	1
	3,945	3,421

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 borrowings, restricted bank deposits, bank deposits within three months and lease liabilities at fixed interest rates that expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2024 and 2023, 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.

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.

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 2024			31 December 2023		
	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
Debt Instruments at FVTOCI – Bill receivables	23	Performing	12-month ECL	**495**	**–**	**495**	66	–	66
Trade and retention receivables	22	Note	Lifetime ECL (simplified approach)	**19,875**	**3,204**	**16,671**	26,099	2,723	23,376
Deposits and other receivables	24	Performing	12-month ECL	**6,352**	**–**	**6,352**	6,194	–	6,194
Bank deposits with original maturity over three months	25	Performing	12-month ECL	**41,736**	**–**	**41,736**	24,077	–	24,077
Restricted bank deposits	25	Performing	12-month ECL	**–**	**–**	**–**	470	–	470
Bank balances	25	Performing	12-month ECL	**18,067**	**–**	**18,067**	44,260	–	44,260

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 96% (2023: 100%) of the total trade and retention receivables as at 31 December 2024.

The Group's gross trade and retention receivables from top five customers amounting to approximately RMB7,071,000 (2023: RMB15,814,000) representing approximately 35.6% (2023: 60.6%) of the total gross trade and retention receivables as at 31 December 2024.

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	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024							
Financial liabilities							
Trade payables	–	33,462	–	–	–	33,462	33,462
Accruals and other payables	–	7,000	–	–	–	7,000	7,000
Borrowings	3.5%	12,006	–	–	–	12,006	11,727
Lease liabilities	3.6%	1,366	1,000	3,001	4,001	9,368	7,941
Total		53,834	1,000	3,001	4,001	61,836	60,130

	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
Borrowings	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

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.

	2024			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTOCI				
Bill receivables	**–**	**–**	**495**	**495**

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

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2024 and 2023.

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 **2024 RMB'000**	Fair value as at 2023 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Bill receivables	Level 3	**495**	66	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 2023	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
Received from third parties	100,950
Collection upon expiration/selling of financial assets	(100,502)
Interest expenses on discounted bills	(19)
At 31 December 2024	495

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:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of goods		
• Plate-type DeNOx catalysts	**53,493**	58,528
• Honey-comb DeNOx catalysts	**49,794**	21,143
• DeNOx catalysts for vehicles	**5,676**	46,721
	108,963	126,392

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 2024 and 2023, 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 mainly carried out 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	
	2024	2023
	RMB'000	RMB'000
The PRC	**100,082**	125,941
Southeast Asia	**1,879**	451
Europe	**7,002**	–
Total	**108,963**	126,392

As at 31 December 2024, 99.9% (2023: 100%) of non-current assets of the Group are located in the PRC.

Information about major customers

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

	2024	2023
	RMB'000	RMB'000
Customer A	**N/A***	44,804

* Revenue derived from this customer was less than 10% of the total revenue for the year ended 31 December 2024

9. OTHER INCOME, GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Government grants (note)	**402**	418
Loss on disposal of property, plant and equipment, net	**–**	(81)
Net foreign exchange gain	**814**	423
Sales of scrap products	**487**	–
Gain on early termination of leases	**272**	–
Value-added tax credit	**947**	948
Others	**(24)**	29
	2,898	1,737

Note: The Group received in the past 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 (2023: approximately 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

	2024 RMB'000	2023 RMB'000
Finance income		
Interest income	**1,462**	1,850
Finance costs		
Interest expenses on lease liabilities	**(108)**	(114)
Interest expenses on borrowings	**(450)**	(30)
Interest expenses on discounted bills	**(19)**	(349)
	(577)	(493)

11. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2024 and 2023.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2024 and 2023.

No provision for income tax of Italy and the United States has been made as the Group did not have any taxable profits subject to the income tax in accordance with the relevant tax laws and regulations in respective countries for the years ended 31 December 2024 and 2023.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries 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, and entitled to the preferential tax rate of 15% for the years ended 31 December 2024 and 2023.

No provision for PRC Enterprise Income Tax has been made as the Group has sufficient available tax losses to utilise for any taxable profits subject to PRC Enterprise Income Tax for the years ended 31 December 2024 and 2023.

The income tax expense 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:

	2024 **RMB'000**	2023 RMB'000
Loss before tax	**(37,327)**	(25,434)
Tax at the domestic income tax rate of 25% (2023: 25%)	**(9,332)**	(6,358)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**162**	335
Tax effect of expenses not deductible for tax purpose	**2,897**	1,142
Tax effect of tax losses not recognised	**7,113**	6,444
Utilisation of tax losses previously not recognised	**(840)**	(1,649)
Others	**–**	86
Income tax expense for the year	**–**	–

Details of deferred taxation are set out in note 30.

12. LOSS FOR THE YEAR

	2024 RMB'000	2023 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors' emoluments (note 13)	**1,973**	828
Other staffs' wages, salaries and bonuses	**23,907**	22,844
Other staffs' retirement benefits schemes contributions	**3,204**	3,058
Other staffs' welfare and allowance	**522**	855
Total employee benefits expenses	**29,606**	27,585
Auditor's remuneration	**674**	658
Depreciation of property, plant and equipment	**6,012**	5,898
Depreciation of right-of-use assets	**1,937**	1,757
Expenses relating to short-term leases	**211**	39
Amount of inventories, before write-down, recognised as cost of sales	**80,666**	102,134
Write-down recognised (reversed of impairment losses) on inventories included in cost of sales	**837**	(270)
	81,503	101,864

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 2024					
Executive directors:					
Ms. Zhao Shu (Chief executive)	–	198	567	–	765
Mr. Li Ke	–	206	616	61	883
Sub-total	–	404	1,183	61	1,648
Non-executive director:					
Mr. Li Xingwu	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors:					
Ms. Chan Yeuk Wa	111	–	–	–	111
Mr. Ong Chor Wei	111	–	–	–	111
Mr. Li Min (note i)	55	–	–	–	55
Dr. Wang Xueqian (note ii)	48	–	–	–	48
Sub-total	325	–	–	–	325
Total	325	404	1,183	61	1,973

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 2023					
Executive directors:					
Ms. Zhao Shu (Chief executive)	–	206	18	–	224
Mr. Li Ke	–	204	16	60	280
Sub-total	–	410	34	60	504
Non-executive director:					
Mr. Li Xingwu	–	–	–	–	–
Sub-total	–	–	–	–	–
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
Total	324	410	34	60	828

Notes:

(i) Resigned on 28 June 2024.

(ii) Appointed on 28 June 2024.

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.

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

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

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

During the years ended 31 December 2024 and 2023, 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, two (2023: none) of the directors or the chief executive of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2023: five) individuals with the highest emoluments were as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries and allowances	**1,066**	1,380
Discretionary bonus	**1,591**	1,053
Retirement benefits scheme contributions	**145**	126
	2,802	2,559

The emoluments of remaining three (2023: five) individuals with the highest emoluments were within the following bands:

	2024 **No. of** **employees**	2023 No. of employees
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**1**	1

During the years ended 31 December 2024 and 2023, 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 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2024 RMB'000	2023 RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(37,327)**	(25,434)

	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	**585,825**	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 2024 and 2023.

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 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 and 1 January 2024	26,719	78,548	1,586	1,311	791	–	108,955
Additions	–	1,538	7	157	–	6,800	8,502
Disposals/write-off	(1)	–	–	–	–	–	(1)
Transfer from CIP	943	5,366	62	35	–	(6,406)	–
At 31 December 2024	27,661	85,452	1,655	1,503	791	394	117,456
Accumulated depreciation and impairment							
At 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 and 1 January 2024	13,686	54,817	1,341	1,264	496	–	71,604
Depreciation provided for the year	1,305	4,411	58	151	87	–	6,012
Impairment loss	1,832	2,682	10	14	–	–	4,538
Eliminated on disposals/write-off	(1)	–	–	–	–	–	(1)
At 31 December 2024	16,822	61,910	1,409	1,429	583	–	82,153
Carrying amounts							
At 31 December 2024	10,839	23,542	246	74	208	394	35,303
At 31 December 2023	13,033	23,731	245	47	295	–	37,351

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

In view of the operating losses during the years ended 31 December 2024 and 2023, 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 with assistance of an independent professional valuer.

Based on the result of the assessment, management of the Group determined that the estimated recoverable amounts of the Plate-type CGU and Honey-comb CGU are higher than their carrying amounts. No impairment loss was identified during the years ended 31 December 2024 and 2023. In addition, the Group estimates the recoverable amount of vehicle CGU (other than the land use rights under the relevant segment which could be assessed on individual basis per note 18) to which the asset belongs when it is not possible to estimate the recoverable amount individually. The property, plant and equipment relevant to Vehicle CGU were impaired to their recoverable amount of approximately RMB11,909,000, which is their carrying values at year end and the impairment of approximately RMB4,538,000 has been recognised in profit or loss within the relevant functions to which these assets relate during the year (2023: no impairment losses being recognised). The recoverable amounts of the Vehicle CGU 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 13.9% as at 31 December 2024 (2023: 12.2%). The cash flows beyond the five-year period are extrapolated using nil growth rate (2023: nil). 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

	2024 **RMB'000**	2023 RMB'000
Land	**5,319**	5,467
Properties	**8,750**	2,957
	14,069	8,424

Right-of-use assets of RMB5,319,000 (2023: RMB5,467,000) 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 two to ten years (2023: 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 2024 amounted to approximately RMB8,850,000 (2023: RMB139,000) and lease liabilities of approximately RMB8,850,000 (2023: RMB139,000) was recognised.

During the year ended 31 December 2024, in regard of early termination of lease arrangement, amounting of RMB1,540,000 arisen from respective lease liability have been waived and netting off with respective right-of-use assets of RMB1,268,000 with the net gain of RMB272,000 recognised in profit or loss.

As at 31 December 2024, the Group assessed the land use rights and properties included in right-of-use assets by considering their recoverable amounts in respect of the CGUs, having regard to the suffering operating losses. The Group estimates the recoverable amounts of the land use rights under Vehicle CGU based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on value in use and no impairment has been recognised. For other assets that are included in the Vehicle CGU, further impairment assessment has been disclosed in note 17.

(ii) Lease liabilities

	2024 **RMB'000**	2023 RMB'000
Non-current	**6,851**	323
Current	**1,090**	1,462
	7,941	1,785

18. LEASES *(continued)*

(ii) Lease liabilities *(continued)*

Amounts payable under lease liabilities	**2024 RMB'000**	2023 RMB'000
Within 1 year	**1,090**	1,462
After 1 year but within 2 years	**1,533**	323
After 2 years but within 5 years	**2,516**	–
After 5 years	**2,802**	–
	7,941	1,785
Less: amount due for settlement within 12 months (shown under current liabilities)	**(1,090)**	(1,462)
Amount due for settlement after 12 months	**6,851**	323

The weighted average incremental borrowing rates applied on lease liabilities were at 3.60% (2023: from 3.60% to 4.75%) per annum.

(iii) Amounts recognised in profit or loss

	2024 RMB'000	2023 RMB'000
Depreciation expense on right-of-use assets		
– Land	**148**	148
– Properties	**1,789**	1,609
Interest expenses on lease liabilities	**108**	114

(iv) Others

	2024 RMB'000	2023 RMB'000
Expenses relating to short-term leases	**211**	39
Total cash outflow of leases	**1,473**	1,449
Additions of right-of-use assets	**8,850**	139

19. INTANGIBLE ASSETS

	Patent rights RMB'000	Technical know-how RMB'000	Total RMB'000
Cost			
At 1 January 2023	8,122	20,600	28,722
Write-off	(8,122)	(20,600)	(28,722)
At 31 December 2023 and 31 December 2024	–	–	–
Accumulated amortisation and impairment			
At 1 January 2023	8,122	20,600	28,722
Write-off	(8,122)	(20,600)	(28,722)
At 31 December 2023 and 31 December 2024	–	–	–
Carrying amounts			
At 31 December 2024	–	–	–
At 31 December 2023	–	–	–

Patent rights and technical know-how were amortised on a straight-line basis over 7 to 10 years.

20. INTEREST IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Cost of investment in an associate – unlisted	**600**	600
Share of post-acquisition losses and other comprehensive expense	**(475)**	(484)
	125	116

As at 31 December 2024 and 2023, the Group had interest in the 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 2024	2023	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.

In the opinion of the directors of the Company, the associate is immaterial to the Group and no disclosure of its financial information is considered necessary.

21. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**22,607**	16,722
Work-in-progress	**4,561**	6,166
Finished goods	**30,403**	24,942
Goods in transit	**239,974**	172,369
	297,545	220,199

During the year ended 31 December 2024, write-down was recognised on inventories of approximately RMB837,000 (2023: reversed by approximately RMB270,000).

22. TRADE AND RETENTION RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**10,274**	19,958
Retention receivables	**9,601**	6,141
	19,875	26,099
Less: Allowance for impairment of trade and retention receivables	**(3,204)**	(2,723)
	16,671	23,376

As at 1 January 2023, retention receivables amounted to approximately RMB6,524,000.

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 3% to 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 10% of contract sum), which is normally recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 year to 3 years from the date of completion of respective projects. The amount is unsecured and interest-free.

The Group allows a credit period of 30 days to 60 days (2023: 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.

	2024 RMB'000	2023 RMB'000
Within 1 year	**13,535**	20,111
1 year to 2 years	**2,654**	1,827
2 years to 3 years	**376**	1,125
Over 3 years	**106**	313
	16,671	23,376

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 approximately RMB1,530,000 as at 31 December 2024 (2023: RMB2,425,000) 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 2024	Gross carrying amount RMB'000
Within 1 year	**7,127**
1 year to 2 years	**1,737**
2 years to 3 years	**397**
Over 3 years	**1,013**
	10,274

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

The weighted average expected loss rate is 16.12% (2023: 10.43%).

22. TRADE AND RETENTION RECEIVABLES *(continued)*

The movement in the allowance for impairment of trade and retention receivables is set out below:

	2024 **RMB'000**	2023 RMB'000
At the beginning of the year	**2,723**	3,131
Net impairment losses recognised	**538**	122
Write-offs	**(57)**	(530)
At the end of the year	**3,204**	2,723

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **RMB'000**	2023 RMB'000
Bill receivables	**495**	66

The fair value of bill receivables is disclosed in note 6.

As at 31 December 2024 and 2023, 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.

During the year, 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 approximately RMB1,920,000 in exchange for cash consideration of approximately RMB1,901,000. 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 recourse 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 approximately RMB1,920,000 and the difference of approximately RMB19,000 between the cash consideration of approximately RMB1,901,000 is recognised immediately as interest expenses in profit or loss.

All financial assets at FVTOCI are aged within 365 days (2023: 365 days).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Value-added tax recoverable	**2,097**	411
Tender deposits	**3,515**	4,151
Staff advances	**228**	420
Prepayments to suppliers	**4,464**	6,181
Other receivables	**2,609**	1,623
	12,913	12,786
Less: prepayments classified as non-current assets	**(147)**	(128)
Current portion included in prepayments, deposits and other receivables	**12,766**	12,658

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 2024, bank deposits with original maturity over three months amounted to approximately RMB41,736,000 (2023: RMB24,017,000). The bank deposits carried interest rate ranging from 4.60% to 4.82% (2023: ranging from 4.00% to 5.07%) per annum as at 31 December 2024.

Restricted bank deposits

Restricted bank deposits were 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% per annum as at 31 December 2023. The Group had no restricted bank deposits at 31 December 2024.

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% (2023: 0.001% to 0.44%) per annum as at 31 December 2024.

Restricted bank deposits, bank deposits with original maturity over three months and bank balances and cash are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	**11,382**	3,650
HK$	**598**	22,596
USD	**45,632**	41,883
EUR	**2,191**	678
	59,803	68,807

26. TRADE PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**33,462**	23,183

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

	2024 RMB'000	2023 RMB'000
Within 6 months	**25,065**	19,056
6 months to 1 year	**3,123**	2,115
1 year to 2 years	**4,167**	943
Over 2 years	**1,107**	1,069
	33,462	23,183

The average credit period on purchases is from 30 days to 60 days (2023: 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

	2024 RMB'000	2023 RMB'000
Accrued payroll and welfare	**4,088**	3,950
Warranty provision	**1,278**	1,482
Other tax payables	**89**	971
Other payables and accruals	**2,912**	4,069
	8,367	10,472

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

	2024 RMB'000	2023 RMB'000
Advances received to deliver goods	**238,513**	161,167

As at 1 January 2023, contract liabilities amounted to approximately RMB97,307,000.

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 2024 were mainly due to more sales contracts were entered and payment received from customers during the year.

Revenue recognised during the year ended 31 December 2024 that was included in the contract liabilities at the beginning of the year is approximately RMB70,668,000 (2023: RMB51,232,000).

29. BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank borrowings secured		
– Current	**11,727**	2,748
– Non-current	**–**	1,740
	11,727	4,488

During the year ended 31 December 2024, the Group has obtained a short-term borrowing from a bank of RMB9,980,000 with an interest bearing at fixed rate of 3.45% per annum.

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 borrowing in respect of such sale and leaseback arrangement.

The borrowings were pledged by certain buildings and machinery with a carrying amount of approximately RMB20,384,000 (2023: certain machinery with net carrying amount of RMB8,830,000).

30. DEFERRED TAXATION

As at 31 December 2024, the Group has unused tax losses of approximately RMB235,306,000 (2023: RMB210,214,000) 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 approximately RMB102,949,000 (2023: RMB107,236,000) 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 approximately RMB4,740,000 (2023: RMB344,000). 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 RMB97,868,000 (2023: RMB94,888,000). 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

	2024 RMB'000	2023 RMB'000
Government grants		
Non-current	**1,745**	2,053
Current	**308**	308
	2,053	2,361

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 (2023: RMB308,000). As at 31 December 2024, an amount of approximately RMB2,053,000 (2023: RMB2,361,000) 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 2023, 31 December 2023, 1 January 2024 and 31 December 2024	5,000,000	50,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid		
At 1 January 2023, 31 December 2023 and 1 January 2024	494,037	31,423
Issue of shares	98,807	7,087
As at 31 December 2024	592,844	38,510

On 26 January 2024, the Group completed the share subscription agreement in which the Group agreed to issue 98,807,400 subscription shares at the subscription price of HK$0.048 per share to director in accordance with the terms and conditions of share subscription agreement. The Group recognised share capital of RMB7,087,000, at par value of US$0.01 per share, and subscription discount of approximately RMB2,738,000, net of share issuance expenses of approximately RMB1,266,000, in share premium at that date.

33. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has below major non-cash transactions.

During the year ended 31 December 2024, the Group entered into a new arrangement in respect of office and factory. At the commencement of leases, the Group recognised right-of-use assets and lease liabilities of approximately RMB8,850,000 (2023: RMB139,000) during the year ended 31 December 2024 which represents the present value of the lease payments that are not paid at that date.

34. CAPITAL COMMITMENTS

	2024 **RMB'000**	2023 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	**2,825**	2,358
	4,225	3,758

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 approximately RMB3,265,000 (2023: RMB3,118,000) represents contributions payable to these schemes by the Group during the year ended 31 December 2024.

36. RELATED PARTY TRANSACTIONS

(a) The following persons are related parties of the Group during the years ended 31 December 2024 and 2023:

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

(b) Transactions with related parties

In 2022, the Group has extended a two-year lease up to 31 December 2024 in respect of a property from Mr. Chen Qizhao. The amount of rent payable by the Group under the lease is approximately RMB329,000 per year, which was fully paid by the Group with the lease payment of approximately RMB658,000 to Mr. Chen Qizhao in 2022. As as 31 December 2024, the right-of-use assets and lease liabilities related to this lease arrangement were nil (2023: approximately RMB309,000) and nil (2023: nil).

(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:

	2024 **RMB'000**	2023 RMB'000
Salaries and allowances	**1,079**	1,174
Discretionary bonus	**2,805**	973
Retirement benefits scheme contributions	**211**	226
	4,095	2,373

The remuneration of the directors of the Company and other members of 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			
	1/1/2024 RMB'000	Net financing cash flows RMB'000	Finance costs incurred RMB'000	New lease arrangement RMB'000	Early termination of lease RMB'000	31/12/2024 RMB'000
Lease liabilities (note 18)	**1,785**	**(1,262)**	**108**	**8,850**	**(1,540)**	**7,941**
Borrowing (note 29)	**4,488**	**(3,191)**	**450**	**9,980**	**–**	**11,727**
Interest payable	**–**	**(19)**	**19**	**–**	**–**	**–**
	6,273	**(4,472)**	**577**	**18,830**	**(1,540)**	**19,668**

			Non-cash changes		
	1/1/2023 RMB'000	Net financing cash flows RMB'000	Finance costs 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

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	**2024** **RMB'000**	2023 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**–**	–
Amount due from a subsidiary	(a)	**211,089**	197,043
		211,089	197,043
Current assets			
Prepayments, deposits and other receivables		**472**	408
Bank deposits with original maturity over three months		**41,736**	24,077
Bank balances and cash		**318**	24,887
		42,526	49,372
Total assets		**253,615**	246,415
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**38,510**	31,423
Reserves	(b)	**201,396**	201,132
Total equity		**239,906**	232,555
LIABILITIES			
Current liabilities			
Accruals and other payables		**1,222**	1,017
Amounts due to subsidiaries		**12,487**	12,843
Total liabilities		**13,709**	13,860
Total equity and liabilities		**253,615**	246,415

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) The amount is unsecured, non-interest bearing and not expected to be repaid 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 2023	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
Loss for the year	–	(4,364)	–	(4,364)
Issue of shares	(2,738)	–	–	(2,738)
Share issuance expenses	(1,266)	–	–	(1,266)
Exchange differences arising on translation of financial statements	–	–	8,632	8,632
At 31 December 2024	845,820	(701,538)	57,114	201,396

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Registered capital/ Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	
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	RMB270,000,000/ RMB250,000,000	–	–	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	RMB26,000,000/ RMB10,500,000	–	–	–	–	–	–	Stainless steel mesh production
Denox International Holdings Limited	The BVI	Ordinary share	USD1/USD1	–	–	100	100	100	100	Investment holding
Denox International (HK) Limited	Hong Kong	Ordinary share	HK$1/HK$1	–	–	100	100	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	100	100	Chemical products distribution and selling
Denox Environment US Corp	The United States	Ordinary share	USD5,000/ USD5,000	–	–	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				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	64,776	71,460	62,791	126,392	**108,963**
Gross profit	15,690	12,223	13,390	24,528	**27,460**
Loss before tax	(21,400)	(19,453)	(23,531)	(25,434)	**(37,327)**
Loss for the year attributable to owners of the Company	(21,027)	(12,296)	(23,531)	(25,434)	**(37,327)**

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	315,726	325,787	314,399	371,125	**436,924**
Total liabilities	80,290	118,266	125,724	207,159	**305,766**
Total equity	235,436	207,521	188,675	163,966	**131,158**

"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 Friday, 20 June 2025 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 the main board of the 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 N_2 and H_2O. The basic element of the catalyst mainly includes TiO_2 and V_2O_5
"Directors"	the directors of the Company
"Group" or "Denox" or "our"	Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing"	the listing of the Company on the main board of Stock Exchange since the date of 12 November 2015
"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

DEFINITONS

"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
“Reporting Period”	the year ended 31 December 2024
“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
“Share Option Scheme”	the share option scheme adopted by the Company on 14 October 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“treasury shares”	has the meaning ascribed to it under the Listing Rules
“%”	per cent