RUICHANG INTERNATIONAL HOLDINGS LIMITED

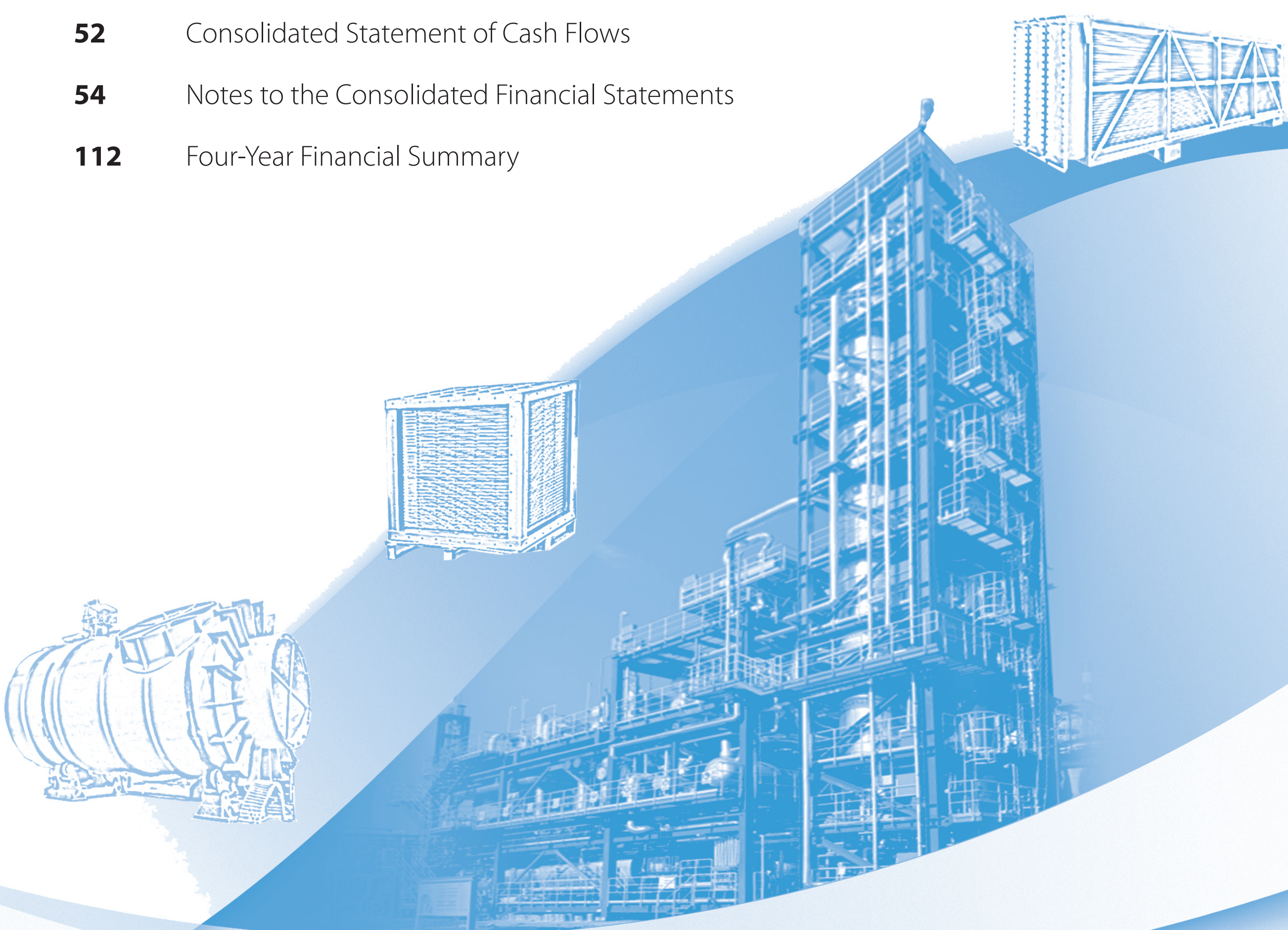
瑞昌國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1334

ANNUAL REPORT 2024

Contents



DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following respective meanings:

"Audit Committee"	the audit committee of the Board
"AGM"	the annual general meeting to be held by the Company at 16 May 2025
"Articles of Association"	the Memorandum and Articles of Association of the Company, as amended from time to time
"Board"	the board of directors of our Company
"Callidus"	Callidus Combustion Technologies and Equipment (Shanghai) Co., Ltd. (凱勒特燃燒技術與設備(上海)有限公司), an affiliate of Honeywell International and an Independent Third Party
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company" or "our Company"	RUICHANG INTERNATIONAL HOLDINGS LIMITED (瑞昌國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1334);
"date of this annual report"	28 March 2025
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company become the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Honeywell International"	Honeywell International Inc. a listed company in U.S. Stock Exchange, which is a diversified technology and manufacturing company providing products and services, including specialty chemicals and processing technology for refining and petrochemicals

DEFINITIONS

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	10 July 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules, as amended or supplemented from time to time
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Option Scheme"	the share option scheme adopted by our Company on 24 June 2024, as amended from time to time
"Prospectus"	the prospectus of the Company dated 28 June 2024
"Relevant Period"	the period commencing from the Listing Date to 31 December 2024
"Reporting Period"	the year ended 31 December 2024
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Share Option(s)"	the share option(s) granted or to be granted pursuant to the terms and conditions of the Post-IPO Share Option Scheme
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

In this annual report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms under the Listing Rules.

CORPORATE INFORMATION

COMPANY NAME

RUICHANG INTERNATIONAL HOLDINGS LIMITED
(瑞昌國際控股有限公司)

DIRECTORS

Executive Directors

Mr. LU Bo (陸波) *(Chairman and Chief Executive Officer)*
Ms. LU Xiaojing (陸曉靜)
Ms. BAI Wei (白薇)
Mr. SHAO Song (邵松)
Ms. WU Rui (吳瑞)

Independent Non-executive Directors

Mr. BAU Siu Fung (鮑小豐)
Mr. TU Shenwei (塗申偉)
Mr. SHEN Cheng (沈誠)
(Appointed with effect from 4 December 2024)
Mr. ZHANG Shengjie (張晟杰)
(Resigned with effect from 5 September 2024)

AUDIT COMMITTEE

Mr. TU Shenwei (塗申偉) *(Chairman)*
Mr. BAU Siu Fung (鮑小豐)
Mr. SHEN Cheng (沈誠)
(Appointed with effect from 4 December 2024)
Mr. ZHANG Shengjie (張晟杰)
(Resigned with effect from 5 September 2024)

REMUNERATION COMMITTEE

Mr. TU Shenwei (塗申偉) *(Chairman)*
Mr. BAU Siu Fung (鮑小豐)
Mr. SHEN Cheng (沈誠)
(Appointed with effect from 4 December 2024)
Mr. ZHANG Shengjie (張晟杰)
(Resigned with effect from 5 September 2024)

NOMINATION COMMITTEE

Mr. LU Bo (陸波) *(Chairman)*
Mr. TU Shenwei (塗申偉)
Mr. SHEN Cheng (沈誠)
(Appointed with effect from 4 December 2024)
Mr. ZHANG Shengjie (張晟杰)
(Resigned with effect from 5 September 2024)

SANCTIONS OVERSIGHT COMMITTEE

Mr. SHEN Cheng (沈誠) *(Chairman)*
(Appointed with effect from 4 December 2024)
Mr. FU Cong (付聰)
Ms. WU Rui (吳瑞)
Mr. ZHANG Shengjie (張晟杰)
(Resigned with effect from 5 September 2024)

JOINT COMPANY SECRETARIES

Mr. FU Cong (付聰)
Mr. LEE Chung Shing (李忠成)

AUTHORIZED REPRESENTATIVES

Mr. LU Bo (陸波)
Mr. LEE Chung Shing (李忠成)

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
23/F, Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Kowloon, Hong Kong

LEGAL ADVISER

As to Hong Kong law:
O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law:
Duan and Duan Law firm
58th Floor, Shanghai Tower
501 Yincheng Middle Road
Pudong District, Shanghai, PRC

COMPLIANCE ADVISER

First Shanghai Capital Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

20/F.,
Area A, Kaike International Building,
No. 1801, Hongmei Road,
Xuhui District,
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

China Construction Bank Corporation
Luoyang Free Trade Zone Branch
11 Heluo Road
Jianxi District
Luoyang City, Henan Province
PRC

China CITIC Bank
Luoyang Gucheng Branch
No. 101, Building 11, Shuangxi Buluo III
53 Binhe South Road
Luolong District
Luoyang City, Henan Province
PRC

Bank of China
Shanghai Xinzhuang Branch
18 Guangtong Road, Minhang District
Shanghai
PRC

Bank of Communications
Shanghai Caohejing Branch
900 Yishan Road
Xuhui District, Shanghai
PRC

STOCK CODE

1334

COMPANY WEBSITE

www.ruichang.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, due to the complex and ever-changing international political environment as well as the intensifying regional turbulence, global economic growth remained sluggish. The International Monetary Fund (IMF) forecasted a 3.2% growth in global economy in 2024, lower than both the 3.3% for 2023 and the average growth of 3.7% for the first two decades of the 21st century. In 2024, in the face of the severe situation featuring growing external pressures and increasing internal challenges, China's national economy remained generally stable. According to preliminary calculations by the National Bureau of Statistics of China, China's gross domestic product recorded a 5.0% year-on-year increase for the year, continuing to contribute to global economic growth with approximately 30%.

In 2024, the prices of crude oil and major petrochemical products continued to show a trend of decline, failing to meet the price rebound expected at the beginning of the year. The prices of the majority of chemical products decreased during the year, and particularly dropping significantly in the second half of the year. Taking Brent crude oil prices as an example, the average price of Brent crude oil in 2023 was USD82.6/barrel, representing a year-on-year decrease of 18.3% compared to 2022. In 2024, the average price of Brent crude oil was USD80.8/barrel, representing a year-on-year decrease of 2.3%, with quarter-on-quarter declines persisting in the second half of the year.

In 2024, China's petrochemical industry overcame challenges such as insufficient downstream market demand, persistent low product prices, and significant declines in profitability of enterprises, maintaining basic stability in its economic performance and achieving new breakthroughs. According to data from the National Bureau of Statistics of China, in 2024, the petrochemical industry achieved operating revenue of RMB16.3 trillion, representing a year-on-year increase of 2.1%; the total profit was RMB789.7 billion, representing a year-on-year decrease of 8.8%; the total import and export volume was USD948.81 billion, representing a year-on-year decrease of 2.4%. According to data from the China Petroleum and Chemical Industry Federation, on a quarter-on-quarter basis, the operating revenue of China's petrochemical industry fluctuated in an N-shaped trend, while total profit experienced a higher performance first and then lower. Both economic indicators showed an inverted "V"-shaped trend in the first three quarters, with a divergence appearing in the fourth quarter: the operating revenue saw a slight quarter-on-quarter rebound, while the total profit continued to decline quarter-on-quarter.

At the same time, in recent years, China's petrochemical industry has firmly seized the new opportunities brought about by the prosperous cycle of the world economy and the global petrochemical industry. The new refining and chemical integration plant and new petrochemical base have expanded the layout and concentrated in construction, promoting the scale concentration and overall competitiveness of China's petrochemical industry to a new level and achieving new breakthroughs, and the investment in the petrochemical industry has grown by double digits over the years. Despite all these, in 2024, the growth rate of investment in China's petrochemical industry slowed down. According to data from the National Bureau of Statistics of China, investment in chemical raw materials and chemical manufacturing increased by 8.6% year-on-year, compared to an increase of 13.0% for 2023; and the investment in oil and gas production decreased by 1.8% year-on-year, compared to an increase of 15.2% for 2023.

In 2024, the Group achieved revenue of RMB444.2 million (2023: RMB544.1 million), representing a year-on-year decrease of 18.4%; gross profit was RMB143.0 million (2023: RMB191.5 million), representing a year-on-year decrease of 25.3%; and net profit for the year was RMB10.3 million (2023: RMB55.2 million), representing a year-on-year decrease of 81.3%.

THE COMPANY'S DEVELOPMENT STRATEGY

Focusing on the main business and consolidating the petrochemical equipment market

In 2024, we continued to consolidate our core business and maintained our market position in traditional core products such as sulphur recovery equipment, volatile organic compound incineration equipment, catalytic cracking equipment, process burners and heat exchangers. Although the current environment of China's petrochemical industry is complex — in particular, the investment growth rate of China's petrochemical industry has temporarily slowed down, and some proposed investment projects have been postponed or cancelled, which has affected market confidence — on the whole, the domestic refining and petrochemical industry is still in a critical period of transformation and upgrading. The corresponding equipment demand will continue to be promoted around technological innovation and facility upgrading, optimisation of industry layout, and green and low-carbon development.

We will continue to leverage our competitive advantages in industry experience, organisational management, R&D and design capabilities, continue to optimise our market strategies, follow up on key customer projects, and in addition to focusing on new customer projects, adjust part of our strategic focus in a timely manner to serve the renovation and maintenance projects of large-scale domestic refineries and strive to improve the quality of our products. We will also continue to foster our collaboration with Honeywell International in services relating to Callidus in order to leverage on Honeywell International's global presence and our local expertise.

While our business has been impacted by industry-wide factors, we have also identified room and potential for cost reduction and profitability improvement in our main business. Therefore, while emphasising focus on our main business, continuously expanding the market, and achieving steady growth, we will also drive cost reduction and profitability improvement initiatives to ensure the stability of our profitability.

Continuous enhancement of design and R&D capabilities, product upgrades and product application extensions

We believe that the Group's design and R&D capabilities are essential to the continued growth of our business. Relying on our existing technological advantages, we will continue to strengthen our design and R&D capabilities and enhance our ability to transform research results into engineering technology by jointly setting up topics and R&D directions with institutes, universities and customers. We will also upgrade our products to meet the needs of customers in terms of industrial transformation, energy conservation and emission reduction in response to current government policies. We believe that by improving our design and R&D capabilities, we will be able to improve product quality, efficiency and market competitiveness, thereby increasing profitability.

We are also exploring emerging technologies and fields to further adopt the trend of green, energy conservation, and environmental protection, striving to diversify the industries and scenarios in which our products are utilised, and finding new business growth points in conjunction with our market strategies. On 9 December 2024, Ruicheng Environmental Engineering (Huangshan) Co., Ltd. (瑞晟環境工程(黃山)有限公司), a wholly-owned subsidiary of Company, entered into a joint venture agreement with Shanghai Lanrui Environmental Protection Energy Technology Co., Ltd. (上海藍瑞環保能源科技有限公司) and Huangshan Ecological and Environmental Protection Group Co., Ltd. (黃山市生態環保集團有限公司) for the establishment, operation and management of a joint venture company, which intends to be primarily engaged in the deployment of phosphorus pollution control, phosphorus-containing waste treatment technologies and recycling of relevant waste products. The business leverages on entrained flow technology which is used in the Group's existing businesses in the manufacturing and production of energy saving equipment.

Global development and expansion into the international market

Despite the current downturn of global economy, the international petrochemical market is still experiencing upgrade and development through innovation, adjustment and transformation, with immense potential and abundant business opportunities, and the number of overseas customers sourcing equipment in the Chinese market is also on the rise due to China's extensive manufacturing capacity and competitive prices. Chinese equipment manufacturers offer a wide range of refinery and petrochemical equipment options to cater to the specific needs and requirements of their customers. These trends allow overseas customers to access cost-effective solutions and a wider range of equipment options than they do locally in their own countries when purchasing.

We intend to strengthen our marketing efforts in key regions and strive to work with local enterprises to enhance the Group's business coverage and influence. We have established an office in Dubai at the end of 2024 to comprehensively plan for the development of our client network, relationship maintenance and project opportunity follow-up in the Group's key regions in the Middle East. We believe that by leveraging on our advanced technology and R&D capabilities, and by stepping up our efforts to expand into international markets, we will be able to gain new business growth points which will continue to foster a rapid development in our performance and lay a solid foundation for the long-term development of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 18.4% from RMB544.1 million for the year ended 31 December 2023 to RMB444.2 million for the year ended 31 December 2024. The Group generates revenue primarily through the manufacturing and sale of the equipment as detailed below.

	Year ended 31 December			
	2024		2023	
	RMB'000	**%**	RMB'000	%
Sulphur recovery unit ("**SRU**") and volatile organic compounds ("**VOCs**") incineration equipment	**158,060**	**35.6**	77,218	14.2
Catalytic cracking equipment	**194,446**	**43.8**	319,266	58.7
Process burners	**64,576**	**14.5**	114,264	21.0
Heat exchangers	**27,106**	**6.1**	33,381	6.1
Total	**444,188**	**100.0**	544,129	100.0

SRU and VOCs incineration equipment

The Group's revenue from SRU and VOCs incineration equipment increased by 104.7% from RMB77.2 million for the year ended 31 December 2023 to RMB158.1 million for the year ended 31 December 2024, which was primarily attributable to the increase in sales orders of SRU and VOCs incineration equipment.

Catalytic cracking equipment

The Group's revenue from catalytic cracking equipment decreased from RMB319.3 million for the year ended 31 December 2023 to RMB194.4 million for the year ended 31 December 2024, primarily due to temporary delays and postponement of certain sale orders at the customers' instructions, taking into account the current industry situation.

Process burners

The Group's revenue from process burners decreased by 43.5% from RMB114.3 million for the year ended 31 December 2023 to RMB64.6 million for the year ended 31 December 2024, primarily due to the absence of comparable large-scale orders in 2024 following the completion of certain significant sales orders in 2023.

Heat exchangers

The Group's revenue from heat exchangers decreased by 18.8% from RMB33.4 million for the year ended 31 December 2023 to RMB27.1 million for the year ended 31 December 2024, primarily due to the decrease in overall sales orders, influenced by the market demand.

Cost of sales

The cost of sales of the Group primarily consists of (i) material and components used, (ii) outsourcing service fees, (iii) direct labour costs, (iv) taxes and levies, and (v) manufacturing overhead. The following table sets out a breakdown of our cost of sales.

	Year ended 31 December			
	2024		2023	
	RMB'000	**%**	RMB'000	%
Materials and components used	**257,231**	**85.4**	289,608	82.1
Outsourcing service fees	**14,958**	**5.0**	29,883	8.5
Direct labour costs	**10,009**	**3.3**	12,338	3.5
Taxes and levies	**3,208**	**1.1**	5,018	1.4
Manufacturing overhead	**15,808**	**5.2**	15,734	4.5
Total	**301,214**	**100.0**	352,581	100.0

The cost of sales of the Group decreased from RMB352.6 million for the year ended 31 December 2023 to RMB301.2 million for the year ended 31 December 2024, which generally aligns with the decrease of revenue driven by the market demand fluctuation.

Gross profit and gross profit margin

The gross profit of the Group decreased by 25.3% from RMB191.5 million for the year ended 31 December 2023 to RMB143.0 million for the year ended 31 December 2024. The gross profit margin decreased by 3.0 percentage points from 35.2% for the year ended 31 December 2023 to 32.2% for the year ended 31 December 2024, mainly attributable to the growing market competition, resulting in our Group obtains sales orders at a relatively lower price.

Other income and gains, net

Other income and gains consist primarily of government grants, additional tax credit for input value-added tax ("**VAT**"), rental income, net, interest income and others.

The other income and gains increased from RMB4.4 million for the year ended 31 December 2023 to RMB7.9 million for the year ended 31 December 2024, primarily attributable to additional tax credit for input VAT for advanced manufacturing companies.

Selling expenses

Our selling expenses mainly consist of staff costs, entertainment expenses, travelling and related expenses, promotional expenses and office expenses.

The selling expenses of the Group increased from RMB24.8 million for the year ended 31 December 2023 to RMB27.4 million for the year ended 31 December 2024, primarily due to the increase of headcount of sales staff and general increase of salary level of our sales team during the year.

Administrative expenses

Our administrative expenses mainly consist of salaries, bonus and welfare for our management and administrative staff, professional and consulting fee, depreciation and amortisation, office expenses, recruitment expenses, entertainment expenses, travelling and related expenses, patent expenses, training expenses, rental expenses and others.

The general and administrative expenses increased from RMB41.3 million for the year ended 31 December 2023 to RMB50.4 million for the year ended 31 December 2024, primarily due to the increase of headcount of managerial and administrative staff, which led to the increase in salary and benefit expenses.

Research and development expenses

Research and development expenses mainly consist of salaries and welfare for our research and development personnel, materials consumed for our research and development activities, depreciation and amortisation of our research facilities and testing fee.

The research and development expenses decreased from RMB38.0 million for the year ended 31 December 2023 to RMB31.6 million for the year ended 31 December 2024, mainly due to the transfer of some engineers to design and execution posts for overseas sale contracts which has not been completed by the end of 2024.

Reversal of impairment/(impairment losses) of financial assets and contract assets

The impairment losses or reversal of impairment of financial assets and contract assets primarily include provisions for and reversal of impairment losses of trade receivables and contract assets. The impairment losses for trade receivables increased from RMB4.5 million for the year ended 31 December 2023 to RMB7.7 million for the year ended 31 December 2024, primarily due to a weakening trend in the aging structure of trade receivables, with a rise in the proportion of trade receivables aged over one year.

The total impairment losses on financial assets and contract assets decreased from RMB5.9 million for the year ended 31 December 2023 to RMB5.7 million for the year ended 31 December 2024, primarily due to a reduction in contract assets, as a portion of these assets matured and were reclassified to trade receivables.

Finance costs

The finance costs mainly consist of interest on bank and other borrowings and interest on lease liabilities. The finance costs increased from RMB5.9 million for the year ended 31 December 2023 to RMB6.2 million for the year ended 31 December 2024, primarily due to an increase in the scale of average annual borrowing.

Income tax expenses

The taxation comprised of (i) enterprise income tax ("**EIT**"); and (ii) deferred tax expenses. The income tax expenses decreased from RMB12.3 million for the year ended 31 December 2023 to RMB4.5 million for the year ended 31 December 2024, primarily due to the decrease in taxable income of our PRC subsidiaries.

Profit for the Year

The net profit decreased from RMB55.2 million for the year ended 31 December 2023 to RMB10.3 million for the year ended 31 December 2024, primarily due to (a) the decrease in revenue and gross profit, which was mainly due to temporary delays and postponement of certain sale orders, (b) the decrease in gross profit margin driven by pricing pressures amid growing market competition, and (c) the increase in selling and administrative expenses.

Liquidity and Financial Resources

The Group's principal use of cash was to fund our operations, capital expenditures and payments of principal and interest due on our bank and other borrowings. The main source of the Group's liquidity was generated from cash flows from operations. Going forward, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from operating activities, bank facilities and net proceeds from the Global Offering. As of 31 December 2024, the Group had cash and cash equivalents of RMB129.9 million. A significant portion of the Group's cash and cash equivalents and term deposits are held in RMB.

Trade Risks in Sanctioned Countries/Regions

The Group did not record any revenue from sales to countries/regions subject to laws and regulations relating to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions and investment related activities, including those imposed by the United States, the European Union and its member states, Australia or the United Nations ("**International Sanctions**") for the year ended 31 December 2024.

The Company does not have current or future business plans and intentions in any country or region subject to International Sanctions. The Board have reviewed from time to time the execution and effectiveness of the sanctions-related internal control measures provided in the section headed "Business — Business activities in Countries/Regions Subject to International Sanctions Exposure — Our undertakings to the Stock Exchange" in the Prospectus.

The Board and the Group's Sanctions Oversight Committee are not aware of any business activities that would put the Company, its Shareholders, or investors at risk of being in breach of International Sanctions, nor are they aware of any non-compliance with the applicable International Sanctions laws and regulations by the Group from the Listing Date to the date of this report. The Audit Committee of the Board is also of the view that the Group has adequate and effective internal control measures to mitigate the sanctions risks.

Exchange Rate Policy

The Group has minimal exposure to foreign currency risk as most of its transactions, assets and liabilities are principally denominated in the functional currency of the entity to which they are related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Bank and Other Borrowings

The Group's total bank and other borrowings decreased by 13.7% from RMB121.8 million as of 31 December 2023 to RMB105.2 million as of 31 December 2024, mainly due to repayment of bank borrowings of RMB152.0 million which were partially offset by additional bank borrowings of RMB135.4 million.

All borrowings were fixed-rate borrowings as of 31 December 2024, which were denominated in RMB.

Current Ratio

Current ratio (calculated by current assets divided by current liabilities) of the Group as of 31 December 2024, was 1.8 (31 December 2023: 1.6).

Gearing Ratio

The gearing ratio is calculated by dividing the total debts (including bank and other borrowings and lease liabilities) by total equity as at the end of the Reporting Period. As of 31 December 2024, the gearing ratio of the Group was 29.4% (31 December 2023: 42.8%). Such decrease is mainly attributable to the repayment of bank and other borrowings during the year ended 31 December 2024.

Charges on the Group's Assets

As of 31 December 2024, we did not have any pledged assets.

Capital Commitments

As of 31 December 2024, the Group had RMB11.2 million in capital commitment to fixed asset, which had been contracted but not provided for (31 December 2023: Nil).

Contingent Liabilities

As of 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 9 December 2024, Ruicheng Environmental Engineering (Huangshan) Co., Ltd. (瑞晟環境工程(黃山)有限公司) ("**Ruicheng Huangshan**"), a wholly-owned subsidiary of the Company, entered into the joint venture agreement with Shanghai Lanrui Environmental Protection Energy Technology Co., Ltd. (上海藍瑞環保能源科技有限公司) and Huangshan Ecological and Environmental Protection Group Co., Ltd. (黃山市生態環保集團有限公司) for the establishment, operation and management of the joint venture company (the "**JV Company**"). Ruicheng Huangshan will hold 80% of the registered capital of the JV Company with each of the other cooperating partners holding 10% of its registered capital (the "**Joint Venture Agreement**"). The JV Company intends to be primarily engaged in the deployment of phosphorus pollution control, phosphorus-containing waste treatment technologies and recycling of relevant waste products.

On 5 February 2025, an extraordinary general meeting of the Company was convened and the Shareholders approved the Joint Venture Agreement and the transactions contemplated thereunder.

For details, please refer to the Company's announcement dated 9 December 2024, 9 January 2025 and 5 February 2025 and the Company's circular dated 9 January 2025.

Save as disclosed above, the Company is not aware of any material of subsequent events from 31 December 2024 to the date of this annual report.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this annual report, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2024. The Group did not hold any significant investments in assets with a value of more than 5% of the Group's total assets as of 31 December 2024.

FUTURE PLAN OF SIGNIFICANT INVESTMENT OR ACQUISITION OF ASSETS

Save as disclosed in the Prospectus, this annual report and other announcements and circulars published by the Company, the Group had no other plans for any significant investment or acquisition of capital assets in the future.

USE OF PROCEEDS FROM THE LISTING

The Company were listed on the Main Board of the Stock Exchange on 10 July 2024 (the "**Listing Date**") and 125,000,000 new Shares were issued at an offer price of HK$1.05 per Share. After deducting the underwriting fees and expenses payable by the Company in connection with the Global Offering as recognised in the audited financial statements, the net proceeds from the Listing amounted to approximately HK$60.6 million (equivalent to approximately RMB55.6 million).

The Company intends to use the net proceeds in the same matter and in the proportion as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 December 2024:

Intended use of net proceeds	Net proceeds (RMB million)	Approximate % of total net proceeds	Utilized net proceeds from the Listing Date to 31 December 2024 (RMB million)	Unutilized net proceeds as of 31 December 2024 (RMB million)	Expected timeline of full utilization of the unutilized net proceeds [(1)]
Increasing our production capacity and capabilities in the New Production Facility to expand our scale of operation	40.6	73.0%	6.2	34.4	On or before 30 June 2026
Further strengthening our design and research and development capabilities	9.7	17.5%	3.0	6.7	On or before 31 December 2025
General working capital	5.3	9.5%	1.8	3.5	On or before 30 June 2026
Total	55.6	100.0%	11.0	44.6	

Note:

(1) The expected timeline is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

DIRECTORS AND SENIOR MANAGEMENT

As of the date of this annual report, the Board consists of five executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. LU Bo ("**Mr. Lu**"), aged 52, has been with our Group since January 1994. He was appointed a Director on 6 February 2020 was re-designated as an executive Director and the chief executive officer on 15 March 2023. Mr. Lu is sibling of Ms. LU Xiaojing and spouse of Ms. BAI Wei. Mr. Lu first joined our Group in January 1994. Mr. Lu has been serving as the chairman of the Board of our Company and is primarily responsible for the overall strategic planning, business direction and operational management of our Group. Mr. Lu has been serving as a director of Luoyang Ruichang since January 1994; its general manager of sales from January 1994 to March 2006, its general manager since April 2006, its vice chairperson from April 2006 to May 2011, and its chairperson since June 2011. Mr. Lu has been serving in various roles including as an executive director, deputy general manager and general manager of Shanghai Ruiqieer since its inception. Ms. Bai is the spouse of Mr. Lu, while Ms. Lu is the sister of Mr. Lu.

Mr. Lu obtained his college diploma in automotive use and repair from Luoyang Institute of Technology (洛陽工學院) (currently known as Henan University of Science and Technology (河南科技大學)) in the PRC in July 1993. He obtained his master's degree in business administration from China Europe International Business School in the PRC in November 2017. Mr. Lu received his qualification as an engineer from Henan Province Science and Technology Committee (河南省科學技術委員會) in December 1999.

Ms. LU Xiaojing ("**Ms. Lu**"), aged 55, has been with our Group since January 1994. She was appointed a Director on 6 February 2020 and was re-designated as an executive Director and the deputy chief executive officer on 15 March 2023. Ms. Lu is sibling of Mr. LU Bo and spouse of Mr. SHAO Song. Ms. Lu first joined our Group in January 1994. Ms. Lu has been serving as the Director of our Company since its inception. She is primarily responsible for overall strategic planning, business direction and operational management of our Group. At Luoyang Ruichang, Ms. Lu served as the general manager of finance from January 1994 to March 2006, its director from January 1994 to April 2005, its supervisor from April 2005 to June 2011 and is currently serving as its vice general manager since April 2006 and as its director since June 2011. Ms. Lu has also served in various roles including as a general manager and an executive director of Shanghai Ruiqieer from its inception to January 2021. Mr. Shao is the spouse of Ms. Lu, while Mr. Lu is the brother of Ms. Lu.

Ms. Lu obtained her college diploma in machinery manufacturing process and equipment from Henan Radio and TV University (河南廣播電視大學) (currently known as the Open University of Henan (河南開放大學)) in the PRC in July 1989. She obtained her master's degree in business administration from China Europe International Business School in the PRC in June 2021. Ms. Lu received her qualification as an engineer from Luoyang City Science and Technology Committee (洛陽市科學技術委員會) in December 2002.

Ms. BAI Wei ("**Ms. Bai**") (former name BAI Wei (白瑋)), aged 51, was appointed an executive Director on 15 March 2023 and is also our senior vice president (human resources). Ms. Bai is primarily responsible for corporate administration, human resources and participating in decision-making in respect of major matters such as corporate and business strategies. Ms. Bai joined our Group in February 2004 and is currently the human resources manager of Shanghai Ruisheng and a supervisor of Luoyang Ruichang. Ms. Bai is spouse of Mr. LU.

Ms. Bai obtained her college diploma in economic management from Henan Agricultural University (河南農業大學) in the PRC in June 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. SHAO Song ("**Mr. Shao**"), aged 56, was appointed an executive Director on 15 March 2023 and is also our senior vice president. Mr. Shao is primarily responsible for sales, research and development and participating in the decision-making process in respect of major matters such as corporate and business strategies. Mr. Shao is spouse of Ms. LU Xiaojing. Mr. Shao joined our Group in January 1994 and is also currently serving as a director and deputy general manager of Luoyang Ruichang as well as a supervisor of Shanghai Ruiqieer.

Mr. Shao obtained his college diploma in welding process and equipment from Luoyang Institute of Technology (洛陽工學院) (currently known as Henan University of Science and Technology (河南科技大學)) in the PRC in July 1991.

Ms. WU Rui ("**Ms. Wu**"), aged 57, was appointed an executive Director on 15 March 2023 and is also our vice president (administration). Ms. Wu is primarily responsible for corporate administration and participates in the decision-making process in respect of major matters such as corporate and business strategies. Ms. Wu joined Luoyang Ruichang in March 2004 and has been serving as the director of the administration department of Luoyang Ruichang since February 2012 and also served as assistant to the chief executive officer of Luoyang Ruichang since May 2017.

Ms. Wu completed her undergraduate studies in national economic management from Luoyang University (洛陽大學) (currently known as Luoyang Institute of Science and Technology (洛陽理工學院)) in the PRC in June 1996.

Independent Non-executive Directors

Mr. SHEN Cheng ("**Mr. Shen**"), aged 41, was appointed as an independent non-executive Director on 4 December 2024. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shen has been working at AllBright Law Offices (錦天城律師事務所) since September 2010. He currently serves as their senior partner, primarily responsible for providing legal services on capital markets, mergers and acquisitions and equity investments. Mr. Shen received his bachelor's degree in law from Shanghai University of International Business and Economics (上海對外經貿大學) in the PRC in June 2005. He then obtained his master's degree in law from Emory University in the United States in May 2015.

Mr. TU Shenwei ("**Mr. Tu**"), aged 48, was appointed as an independent non-executive Director on 15 March 2023 (with effect on the Listing Date). He is primarily responsible for supervising and providing independent judgment to our Board.

From September 2004 to May 2006, he served as an industry management controller at Valeo Systemes D'Essuyage, a global automotive supplier headquartered in France. From May 2006 to August 2011, he served as a financial control manager at SAINT-GOBAIN (CHINA) Investment Co., Ltd. (聖戈班(中國)投資有限公司), a company designing, producing and distributing building materials headquartered in France. Since August 2011, he served as a financial director of Asia Pacific at Imerys (Shanghai) Investment Management Co., Ltd. (益瑞石(上海)投資管理有限公司), a company specialised in the production and processing of industrial minerals headquartered in France.

Mr. Tu received his bachelor's degree in French from Sun Yat-sen University (中山大學) in June 1998. He then obtained his master's degree in corporate strategy and management from Paris Institutes of Political Studies (Institut d'Etudes Politiques de Paris) in France in July 2002. Mr. Tu obtained the qualification as a chartered management accountant from the Chartered Institute of Management Accountants in June 2019.

Mr. BAU Siu Fung ("**Mr. Bau**"), aged 57, was appointed as an independent non-executive Director on 15 March 2023 (with effect on the Listing Date). He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Bau served as an auditor in KPMG (Hong Kong) and KPMG Huazhen LLP, both auditing and financial services firms, from June 2004 to October 2011, where he served as a manager at the time of leaving. Mr. Bau then served as an executive director from June 2012 to January 2017, and the chief financial officer and company secretary from June 2012 to September 2017, of Sheen Tai Holdings Group Company Limited, a conglomerate company listed on the Stock Exchange (SEHK: 1335), where he was responsible for its financial management and compliance matters. Mr. Bau then served as an executive director, chief financial officer and company secretary of Chen Lin Education Group Holdings Limited, a higher-education provision company listed on the Stock Exchange (SEHK:1593), primarily responsible for formulating financial strategies, from March 2018 to May 2021. Mr. Bau served at Fulcrum Global (Hong Kong) Limited, an investment management from May 2021 to August 2022, where he left as its managing director, finance.

Mr. Bau has been serving as an independent non-executive director of various companies listed on the Stock Exchange, primarily responsible for providing independent advice to the respective boards. Mr. Bau has been serving as an independent non-executive director of AUX International Holdings Limited, an investment holding company listed on the Stock Exchange (SEHK: 2080) since May 2015, and of FSM Holdings Limited, a company which is a sheet metal fabricator with a focus on precision engineering and a precision machine service provider, listed on the Stock Exchange (SEHK: 1721) from June 2018 to August 2024.

Mr. Bau is currently a member of the Hong Kong Institute of Certified Public Accountants. Mr. Bau graduated from Idaho State University with a bachelor of business administration in Accounting and Finance in the United States in August 1997.

SENIOR MANAGEMENT

Mr. LU Bo (陸波) is the Chairman and chief executive officer of our Company. Please refer to the paragraph headed "— Directors —Executive Directors" above for his biographical details.

Ms. LU Xiaojing (陸曉靜) is the deputy chief executive officer of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for her biographical details.

Ms. BAI Wei (白薇) is the senior vice president of human resources of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for her biographical details.

Mr. SHAO Song (邵松) is the senior vice president of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

Ms. WU Rui (吳瑞) is the vice president of administration of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for her biographical details.

Mr. ZHANG Xian (張顯) ("**Mr. Zhang**"), aged 48, has been the deputy general manager of Luoyang Ruichang since May 2017, mainly responsible for the management of the sales/business department. Mr. Zhang joined our Group in November 1994 and has been with us for more than 26 years. He is our senior vice president and is responsible for the management of sales/business department, and responsible for the overall operation management of the SRU and VOCs Incineration Equipment Division. Mr. Zhang obtained his college diploma in computer accounting from Luoyang Workers' College of Science and Technology (洛陽市職工科學技術學院) (currently known as Luoyang Vocational and Technical College (洛陽職業技術學院)) in July 1999. He then completed his undergraduate studies in business administration from Central Radio and Television University (中央廣播電視大學) (currently known as the Open University of China (國家開放大學)) in July 2015.

Mr. JIN Xuli (金旭立) ("**Mr. Jin**"), aged 46, has been the deputy general manager of the Luoyang Ruichang since May 2017, mainly responsible for management of the sales/business department. Mr. Jin has been with our Group for more than 20 years. He is our senior vice president and is responsible for the overall operation management of our Process Burners Division. Mr. Jin obtained his college diploma in trade economics from Luoyang Technology College (洛陽工業高等專科學校 (currently known as Luoyang Institute of Science and Technology (洛陽理工學院)) in July 2000. He then completed his undergraduate studies in business administration from Henan University of Science and Technology (河南科技大學) in July 2012.

Mr. FU Cong (付聰) ("**Mr. Fu**"), aged 36, is the financial director of our Company and has been the head of financial affairs since January 2022, mainly responsible for the overall management and supervision of financial affairs, and was appointed as a joint company secretary of our Company in 15 March 2023.

Mr. Fu joined our Group in April 2021 and has been serving as the vice president of Luoyang Ruichang and assistant to general manager of Shanghai Ruiqieer since joining the Group, primarily responsible for managing its financial affairs.

Mr. Fu has over 10 years of experience in accounting, auditing and financial management. Prior to joining the Group, Mr. Fu worked at the Shanghai Branch of Ernst & Young Hua Ming LLP, an international accounting firm, from September 2011 to April 2021. Mr. Fu served as an audit senior manager of the Shanghai Branch of Ernst & Young Hua Ming LLP prior to his departure.

Mr. Fu became a member of the Chinese Institute of Certified Public Accountants in April 2017. Mr. Fu obtained his bachelor's degree in accounting from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2011.

JOINT COMPANY SECRETARIES

Mr. FU Cong (付聰) was appointed as a joint company secretary of our Company on 15 March 2023, see "— Senior Management" in the section for details.

Mr. LEE Chung Shing (李忠成) ("**Mr. Lee**") was appointed as a joint company secretary of our Company in May 2021. Mr. Lee serves as the vice president of Entity Solutions of Computershare Hong Kong Investor Services Limited. He has over 20 years of experiences in providing services to listed companies in the areas of auditing, financial management, company secretarial services and investors relations. He is currently the joint company secretary and company secretary of various companies listed on the Stock Exchange. Mr. Lee obtained a bachelor's degree in Accountancy from the City University of Hong Kong and a master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University. Mr. Lee is an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since March 1999 and a fellow of the Association of Chartered Certified Accountants since July 2003.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51(B) OF THE LISTING RULES

Save as disclosed in this annual report and as at the date of this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT OF THE DIRECTORS

The Board is pleased to present this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in Note 40 to the consolidated financial statements.

Details of business review and performance analysis of the Group for the year ended 31 December 2024 are set out in "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. The Environmental, Social and Governance report of the Company for the year ended 31 December 2024 shall be published separately.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 48 of this annual report.

On 29 May 2024, the Company distributed a dividend amounting to RMB20,000,000. During the year of 2024, RMB10,102,000 had been paid in cash and RMB9,898,000 was settled by offsetting with the Group's receivables due from the controlling shareholders.

A proposed final dividend of RMB0.04 per share, totalling RMB20,000,000 for the year of 2024 is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

- our business and future growth are subject to the level of domestic petroleum refinery and petrochemical production activities in the PRC, which is highly dependent on the PRC government's relevant policies and regulations;

- most of our sales are contract-based and may be non-recurring. We generally have to go through competitive tendering or quotation process to secure new contracts, and we may not be able to obtain new contracts on commercially acceptable terms. Failure to continuously secure new contracts could materially affect our financial condition and results of operations;

- we are subject to liquidity and credit risks resulting from delays and/or defaults in payments by our customers and recoverability of our contract assets;

- we depend on a stable and adequate supply of quality materials and components from our suppliers during the Track Record Period. Fluctuation in prices of materials and components or unstable supply of materials and components could adversely affect our financial condition and results of operations;

- we may not be able to successfully develop or adopt new technologies in a timely manner. In particular, our investments in R&D may not yield any positive results as we expect, which could affect our ability to meet the changing demands of our customers and hence we may lose business opportunities to our competitors; and

- our failure to accurately estimate or control our costs for fixed-price contract may materially and adversely affect our profitability.

For details of the nature and extent of the principal risks faced by the Group, see "Risk Factors" of the Prospectus.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2024 and the state of the Company's and the Group's affairs as of 31 December 2024 are set out in the consolidated financial statements on pages 48 to 111 of this annual report.

SUBSIDIARIES

Details of the subsidiaries of the Group as of 31 December 2024 are set out in Note 40 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2024 are set out in Note 34 to the consolidated financial statements in this annual report.

RESERVES

Details of movements in reserves of the Group and the Company for the year ended 31 December 2024 are set out in the consolidated statement of changes in equity and Note 35 to the consolidated financial statements in this annual report, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Company's Law of Cayman Islands, amounted to approximately RMB86.5 million, of which RMB20.0 million has been proposed as a final dividend for the year. In addition, the amount of RMB99.9 million previously included in the Company's share premium account may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There is no provision 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in Note 16 to the consolidated financial statements in this annual report.

BANK LOANS

Particulars of bank loans of the Group (including the maturity profile of borrowings) as of 31 December 2024 are set out in Note 32 to the consolidated financial statements in this annual report. There is no material seasonality of borrowing requirements for the Group.

ADVANCE TO ENTITY PROVIDED BY THE COMPANY

During the year ended 31 December 2024, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

BREACH OF LOAN AGREEMENT

During the year ended 31 December 2024, the Company had not breached any terms of its loan agreements for loans that are significant to its operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

During the year ended 31 December 2024, the Company had not provided any financial assistance and guarantees to affiliated companies of the Company which is subject to disclosure requirements under Rule 13.22 of the Listing Rules.

CHARITABLE DONATIONS

During the year ended 31 December 2024, the Group made charitable donations of RMB0.2 million (31 December 2023: Nil).

CONTINGENT LIABILITIES

As of 31 December 2024, we did not have any material contingent liabilities (31 December 2023: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, the revenue derived from the Group's largest customer and the five largest customers accounted for 23.9% and 52.3% of the Group's total revenue for the year, respectively.

During the year ended 31 December 2024, purchases from the Group's largest supplier and five largest suppliers accounted for 4.2% and 14.8% of the Group's total purchases for the year, respectively.

None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

During the Relevant Period and up to the date of this report, based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2024 and as of the date of this annual report were:

Executive Directors

Mr. LU Bo (陸波) *(Chairman and Chief Executive Officer)*
Ms. LU Xiaojing (陸曉靜)
Ms. BAI Wei (白薇)
Mr. SHAO Song (邵松)
Ms. WU Rui (吳瑞)

Independent Non-executive Directors

Mr. TU Shenwei (塗申偉)
Mr. BAU Siu Fung (鮑小豐)
Mr. SHEN Cheng (沈誠) *(Appointed with effect from 4 December 2024)*
Mr. ZHANG Shengjie (張晟杰) *(Resigned with effect from 5 September 2024)*

Directors' and senior management's biographies

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 14 to 17 of this annual report. For biographical details of Mr. ZHANG Shengjie, please refer to the section headed "Directors and Senior Management" of the Prospectus.

According to article 26.3 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such meeting.

According to article 26.4 of the Articles of Association and paragraph B.2.2 of the CG Code, at each annual general meeting, one-third of the Directors for the time being (or, if such number is not a multiple of three, then the number nearest to but not less than one-third, any Director required to stand for re-election pursuant to Article 26.3 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the annual general meeting at which he retires and shall be eligible for re-election at such meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting for the year ended 31 December 2024 or as of 31 December 2024.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date or the date of appointment, which may be terminated by not less than one months' notice in writing served by either the independent non-executive Director or the Company.

None of the Directors proposed for re-election at the AGM has an unexpired service contract or appointment letter which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As far as the Company is aware, as of 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), which were required (a) to be 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 they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Company

Name of Director	Capacity/Nature of interest[1]	Number of Shares held	Approximate percentage of interest in our Company
Mr. LU Bo[2]	Beneficiary of a trust	164,171,263	32.83%
	Interest of controlled corporation	5,598,240	1.12%
Ms. LU Xiaojing[3]	Beneficiary of a trust	164,171,263	32.83%
	Interest of controlled corporation	5,598,240	1.12%
Ms. BAI Wei[4]	Spousal interest	169,769,503	33.95%
Mr. SHAO Song[5]	Spousal interest	169,769,503	33.95%

Notes:

(1) All interests stated are long position.

(2) Mr. Lu Bo's interest is held through One Ideal Limited, a company which is held as to 99.00% by The LB Personal Trust, being a family trust to which Mr. Lu Bo is a beneficiary. Riches Development is wholly-owned by Mr. Lu Bo.

(3) Ms. Lu Xiaojing's interest is held through Lady Jing Limited, a company which is held as to 99.00% by The LXJ Personal Trust, being a family trust to which Ms. Lu Xiaojing is a beneficiary. Richen Development is wholly-owned by Ms. Lu Xiaojing.

(4) Ms. Bai Wei is the spouse of Mr. Lu Bo.

(5) Mr. Shao Song is the spouse of Ms. Lu Xiaojing.

Save as disclosed above, as of the date of this annual report, none of the Directors and chief executive of the Company had 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 Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions they are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2024, to the best of the knowledge of the Company and the Directors or the chief executive of our Company, the followings are the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholder	Capacity/Nature of Interest[1]	Number of Shares held	Approximate percentage of interests in the Company
One Ideal Limited[2]	Beneficial interest	164,171,263	32.83%
Now Wealth Limited[2]	Beneficial interest	164,171,263	32.83%
Mr. Lu Bo[2]	Beneficiary of a trust	164,171,263	32.83%
	Interest of controlled corporation	5,598,240	1.12%
Lady Jing Limited[3]	Beneficial interest	164,171,263	32.83%
LXJ Limited[3]	Beneficial interest	164,171,263	32.83%
Ms. Lu Xiaojing[3]	Beneficiary of a trust	164,171,263	32.83%
	Interest of controlled corporation	5,598,240	1.12%
Ms. Bai Wei[4]	Spousal interest	169,769,503	33.95%
Mr. Shao Song[5]	Spousal interest	169,769,503	33.95%
TCT (BVI) Limited[6]	Beneficial interest	328,342,526	65.66%
THE CORE TRUST COMPANY LIMITED[6]	Trustee	328,342,526	65.66%
Huangshan City Investment Private Equity Fund Management Co., Ltd.[7]	Beneficial interest	28,570,000	5.71%

Notes:

(1) All interests stated are long position.

(2) One Ideal Limited is held as to 99.00% by Now Wealth Limited, which is in turn wholly-owned by The LB Personal Trust, being a family trust to which Mr. Lu Bo is a beneficiary. Riches Development is wholly-owned by Mr. Lu Bo.

(3) Lady Jing Limited is held as to 99.00% by LXJ Limited, which is in turn wholly-owned by The LXJ Personal Trust, being a family trust to which Ms. Lu Xiaojing is a beneficiary. Richen Development is wholly-owned by Ms. Lu Xiaojing.

(4) Ms. Bai Wei is the spouse of Mr. Lu Bo.

(5) Mr. Shao Song is the spouse of Ms. Lu Xiaojing.

(6) THE CORE TRUST COMPANY LIMITED is the trustee of The LB Personal Trust and The LXJ Personal Trust which established by Mr. Lu Bo and Ms. Lu Xiaojing respectively. TCT (BVI) Limited, which is wholly-owned by the trustee, through direct interest in each of Now Wealth Limited and LXJ Limited holds 164,171,263 Shares and 164,171,263 Shares respectively.

(7) Huangshan City Investment Private Equity Fund Management Co., Ltd. is a wholly-owned subsidiary of Huangshan City Construction Investment Group Co., Ltd., which is in turn wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Huangshan City.

Save as disclosed above and to the best knowledge of our Directors, as at 31 December 2024, no other person had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DEBENTURES IN ISSUE

The Company did not have any debentures in issue during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Incentive Plans" in this annual report, there was no equity-linked agreement entered into by the Company during or subsisting at the end of the year ended 31 December 2024.

RELATED PARTY TRANSACTION, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the Reporting Period, our only related party transactions were the key management personnel remuneration as set out in Note 38 to the consolidated financial statements in this annual report, which do not constitute a connected transaction or a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. During the Reporting period, there were no non-exempt connected and continuing connected transactions of the Company.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted. The Company has purchased appropriate liability insurance for its Directors. The permitted indemnity provision is set out in such liability insurance, which is currently in force and has been in force since the Listing Date.

SHARE INCENTIVE PLANS

Post-IPO Share Option Scheme

We adopted the Post-IPO Share Option Scheme on 24 June 2024, which was immediately prior to the Listing. The scheme constitutes a share scheme governed by Chapter 17 of the Listing Rules.

As the Post-IPO Share Option Scheme was not effective until the Listing Date, the numbers of Share Options available for grant under the Post-IPO Share Option Scheme are 50,000,000 as at the Listing Date.

1. Summary of Terms

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide Eligible Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

(b) Eligible Participants

The Board of Directors may subject to and in accordance with the provisions of the Post-IPO Share Option Scheme and the Listing Rules, at its discretion grant options to any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business who, in the absolute discretion of the Board, has contributed or will contribute to the long term growth of our Group.

(c) Maximum Number of Shares available for subscription

Scheme mandate limit and service provider sublimit

The Shares which may be issued (or treasury Shares which may be transferred) upon exercise of all options granted under the Post-IPO Share Option Scheme and any other share option and share awards schemes of our Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date dealings in Shares on the Stock Exchange commence (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or may be granted under the Post-IPO Share Option Scheme) (the "**Scheme Mandate Limit**") being 50,000,000 Shares, as at the date of this annual report. For the purposes of calculating the Scheme Mandate Limit, options which have lapsed in accordance with the terms of the relevant Scheme shall not be counted.

Where the participants of the scheme are service providers, the service providers will be subject to a sublimit not exceeding 1% of the total number of Shares in issue as at the Listing Date (the "**Service Provider Sublimit**"), being 5,000,000 Shares, as at the Listing Date.

The above limits may be refreshed by Shareholders at general meeting in accordance with Rule 17.03C of Chapter 17 of the Listing Rules.

(d) *Maximum Entitlement of a Participant*

Unless approved by our Shareholders in general meeting, the Board shall not grant options to any Eligible Participant if the acceptance of those options or awards would result in the total number of shares issued and to be issued (or to be transferred out of treasury Shares) to that Grantee on exercise of his option or awards during any 12-months period up to the offer date in aggregate exceeding 1% of the total Shares then in issue.

(e) *Exercise Period*

An option may be exercised in whole or in part by the Grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the aggregate amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 15 business days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate issued by the auditors or the independent financial adviser of the Company, the Company shall allot, and shall instruct the share registrar to issue, the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his estate in the event of an exercise by his personal representative(s) as aforesaid) a share certificate in respect of the Shares so allotted and issued (or transferred out of treasury Shares).

(f) *Vesting Period*

The vesting period for the Options shall generally not be less than 12 months. However, the Board and the remuneration committee of the Board are of the view that in certain circumstances a strict 12 month vesting requirement would be unfair to the Grantee, including in the grant (i) of "make-whole" options to new joiner to replace share options they forfeited from their previous employer; (ii) to employees whose employment is terminated due to death, disability or other event beyond their control; (iii) of options which are made in batches for administrative or regulatory compliance reasons, which effectively delayed the grant to a particular Grantee for administrative or regulatory compliance reasons (in which case the vesting period may be shortened to adjust for the delay); (iv) of options with performance based vesting conditions in lieu of the time-based vesting requirement. The Board and the remuneration committee of the Board are therefore of the view that the arrangement are appropriate and aligns the interest of the Grantee and the Company.

(g) *Duration and Remaining Life*

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years from the Listing Date, after which time no further option shall be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. As at the date of this annual report, the remaining life of the Post-IPO Share Option Scheme was approximately nine years and four months.

(h) *Subscription Price*

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Subscription Price**") shall be a price determined by the Board in its sole discretion and notified to the Grantee and shall be no less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the Board resolves to make the offer of the option (the "**Date of Grant**"), which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the final issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the Date of Grant.

(i) *Amount Payable on Application or Acceptance of the Option*

An option shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate Offer Document comprising acceptance of the option Eligible Participant (the "**Grantee**") duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance shall not be refundable in any circumstances.

For further details of the Post-IPO Share Option Scheme, please refer to the sections headed "Statutory and General Information — Post-IPO Share Option Scheme" in Appendix V to the Prospectus.

As of the Listing Date and up to the date of this annual report, no new share is issued for the grant of options and awards. The number of Shares that may be issued in respect of options and awards granted under the Post-IPO Share Option Scheme divided by the weighted average number of Shares in issue is not applicable. The number of options available for grant under the Scheme Mandate and the Service Provider Sublimit at the Listing Date and the end of the year ended 31 December 2024 are 50,000,000 and 5,000,000 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period and up to the date of this annual report, saved as disclosed in this annual report, none of the Company or any of its subsidiaries were a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Relevant Period, none of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2024.

PLEDGE OF SHARES

We do not have any pledging of shares by our controlling Shareholders.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the year ended 31 December 2024, there were no (i) contract of significance between the Company or any of its subsidiaries; and a controlling Shareholder of the Company or any of its subsidiaries nor (ii) any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

LOAN AGREEMENTS OF THE COMPANY

The Company did not enter into any loan agreement with covenants relating to specific performance of its controlling Shareholder nor breach the terms of any loan agreements that are significant to its operations during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2024, the Group had a total of 445 full-time employees and the total staff costs (including directors' emoluments) for the Reporting Period were approximately RMB70.4 million. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, allowance and benefits and retirement benefit scheme contribution. During the Reporting Period, the relationship between the Group and our employees has been stable. We provide training programmes to employees, including new hire orientation and continuous on-the-job training, in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

RETIREMENT BENEFITS SCHEME

Full-time employees in the PRC participate in various government-funded defined contribution pension schemes, whereby employees are entitled to monthly pensions calculated according to certain formulas. Relevant government agencies are responsible for paying pensions to such retired employees. The Group makes monthly contributions to such pension schemes. Under such plans, the Group has no further payment obligations for post-retirement benefits other than the contributions made. Contributions to such plans are expensed as incurred and contributions paid to such defined contribution pension plans for an employee cannot be used to reduce the Group's future liability to such defined contribution pension plans (even if the related employee leaves). There are no provisions under such retirement benefit scheme whereby the Group may forfeit contributions and where forfeited contributions may be used to reduce future contributions.

Details of the contributions to the pension schemes of the Company are set out in Note 3 to the consolidated financial statements of this annual report.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 11 to the consolidated financial statements of this annual report. For the year ended 31 December 2024, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended 31 December 2024.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year ended 31 December 2024, the Group had not been subject to any material fines or other penalties due to non-compliance with environmental regulations.

Further details of the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2024 which shall be published separately.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, medical experts, patients and other business associates. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Details of an account of the Company's key relationships with its employees, suppliers, customer and other business associates that have a significant impact on the Company are set out in environmental, social and governance report of the Company for the year ended 31 December 2024 which shall be published separately.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. During the year ended 31 December 2024, the Group had not been a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which would likely to have a material adverse effect on its business, financial conditions or results of operations.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period and up to the date of this annual report, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES OR SALE OF TREASURY SHARES

None of the Company or any of its subsidiaries has made any purchase, sale or redemption of the listed securities of the Company (including sales of treasury shares) from the Listing Date to 31 December 2024.

As at the Listing Date and up to the date of this annual report, the Company did not hold any treasury shares.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Company after the reporting period are set out in Note 41 to the consolidated financial statements.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

AUDITOR

Since the Listing Date, the auditor of the Company has not changed. The consolidated financial statements for the year ended 31 December 2024 have been audited by ZHONGHUI ANDA CPA Limited, Certified Public Accountants and Registered Public Interest Entity Auditor, who are proposed for re-appointment as auditor of the Company at the AGM.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 16 May 2025. Notice of the AGM will be published and issued to the Shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Company's Shareholders to attend and vote at the 2025 AGM, the record date will be Friday, 16 May 2025 and the register of members of the Company will be closed from Tuesday, 13 May 2025, to Friday, 16 May 2025 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 12 May 2025, for registration.

For the purpose of determining the entitlement of the Shareholders to the proposed final dividend, the record date will be Tuesday, 27 May 2025 and the register of members of the Company will be closed from Friday, 23 May 2025 to Tuesday, 27 May 2025 (both days inclusive), during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of the Shareholders at the 2025 AGM, all transfers documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the same address mentioned above before 4:30 p.m. on Thursday, 22 May 2025.

By order of the Board
RUICHANG INTERNATIONAL HOLDINGS LIMITED
Mr. LU Bo
Chairman of the Board, Chief Executive Officer and executive Director

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report for the Company for the Relevant Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole.

The Company has adopted the principles and code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

The Directors are of the view that from the Listing Date to the date of this annual report, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code and non-compliance with Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. LU Bo ("**Mr. Lu**") has been serving as the chairman of the Board and chief executive officer of our Company. He is primarily responsible for the overall strategic planning, business direction and operational management of our Group. Mr. Lu has been with our Group since January 1994. Mr. Lu has extensive experience in the business operations and management of our Group. Our Board believes that, in view of his experience, personal profile and his roles in our Company, Mr. Lu is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our Chief Executive Officer. Our Board also believes that the combined role of chairman and chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Directors consider that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and the three independent non-executive Directors.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

Non-compliance with Rules 3.10(1), 3.10A, 3.21 and 3.27A during the Relevant Period

Reference is made to the announcements of the Company dated 5 September 2024 in relation to Mr. ZHANG Shengjie's ("**Mr. Zhang**") resignation as an independent non-executive Director of the Company, upon which he also ceased to be a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. After the resignation of Mr. Zhang, the Company is not in compliance with (i) Rule 3.10(1) of the Listing Rules which stipulates that every board of directors of listed issuer must include at least three independent non-executive directors, (ii) Rule 3.10A of the Listing Rules which stipulates that an issuer must appoint independent non-executive Directors representing at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules which stipulates that a listed issuer must establish an audit committee comprising a minimum of three members and (iv) Rule 3.27A of the Listing Rules which stipulates that a listed issuer must establish a nomination committee with a majority of independent non-executive Directors.

Following the appointments of Mr. SHEN Cheng as an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee on 4 December 2024, the Company re-complied with Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules. For details, please refer to the Company's announcement dated 4 December 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities. The provisions of the Listing Rules regarding directors' compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this annual report. In addition, the Company is not aware of any non-compliance of the Model Code by the employees of the Company who are likely to be in possession of inside information of the Company during the period from the Listing Date to the date of this annual report.

BOARD OF DIRECTORS

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company. The daily management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board should also regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities. To better manage the Group's corporate governance performance and identify potential risks, the Board conducts annual review ensuring the effectiveness of Board independence.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Board currently comprises five executive Directors and three independent non-executive Directors. As at the date of this annual report, the composition of the Board is as followings:

Executive Directors

Mr. LU Bo (陸波) *(Chairman and Chief Executive Officer)*
Ms. LU Xiaojing (陸曉靜)
Ms. BAI Wei (白薇)
Mr. SHAO Song (邵松)
Ms. WU Rui (吳瑞)

Independent Non-executive Directors

Mr. TU Shenwei (塗申偉)
Mr. BAU Siu Fung (鮑小豐)
Mr. SHEN Cheng (沈誠) *(Appointed with effect from 4 December 2024)*
Mr. ZHANG Shengjie (張晟杰) *(Resigned with effect from 5 September 2024)*

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 14 to 17 of this annual report.

To the best knowledge of the Board, there has been no other financial, business, family, or other material/relevant relationships among members of the Board.

COMPANY'S CULTURE

The Company aims to leverage the competitive strengths to capture the diversified market demand and solidify the market position in the manufacture and sale of petroleum refinery and petrochemical equipment.

The Board is also committed towards the lawful, ethical and responsible operation of our business by monitoring and evaluating our corporate culture from time to time to provide a solid guarantee regarding the sustainable development of the Company, and drives partners to fulfill their compliance responsibilities with their own compliant operation, so as to create a healthy and honest operating environment.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and independent non-executive Directors of the Company has entered into a service contract / appointment letter with the Company which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

The initial term for their respective service contract / appointment letter shall commence from the Listing Date / the date of appointment and continue for a period of three years subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one months' notice in writing by either the Directors or our Company.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contract with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

In accordance with the Articles of Association and the requirements of relevant laws and regulations, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself to the Shareholders for election at the next following general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself to the Shareholders for re-election at the next following annual general meeting of the Company after appointment. The procedures and process of appointment, re-election and removal of directors are set out in detail 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 of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board and maintain the high standard of corporate governance.

The Nomination Committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and to ensure that the Board maintains a balanced diverse profile. Pursuant to the Board Diversity Policy, the Nomination Committee is committed to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Company recognises the particular importance of gender diversity. The Board currently comprises eight Directors, including three female Directors and five male Directors with a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. The Company has three independent non-executive Directors who have different industry backgrounds, including accounting, legal and finance. Furthermore, the Board has a relatively wide range of ages, ranging from 41 to 57 years old.

The current board composition satisfies the target gender mix of our Board. The Company will continue to take steps to promote gender diversity and achieve gender balance of the Board. The Company will also actively identify female individuals suitably qualified to become the Board members and aim to further increase the female representation in the Board. To further ensure gender diversity of the Board in a long run, The Company will also identify and select female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become the Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board.

As at 31 December 2024, female and male employees represented approximately 17.8% and 82.2% respectively of our total number of employees (including senior management). The Company recognises the importance and benefit of having different genders in the working environment, and shall further strengthen the Company's gender diversity in the workplace in the future where possible.

MEASURABLE OBJECTIVES

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong element of independence in the Board. The independent non- executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board consists of a female Director.

Apart from the above objectives, the Board Diversity Policy has complied with the following objectives with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the independent non-executive Director shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Board Diversity Policy.

BOARD MEETINGS

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings. For other Board meetings and Board committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board committees members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of the Board meetings and committee meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and Board committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board committees meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

As the Company was listed on the Stock Exchange on 10 July 2024, three Board meetings was held during the period from the Listing Date to 31 December 2024. In the subsequent period from 1 January 2025 to the date of this annual report, one Board meeting was held. The Company hold one extraordinary general meeting and did not convene any annual general meeting for the period from the Listing Date to the date of this annual report.

A summary of the attendance record of the Directors at Board meetings and committee meetings held during the Relevant Period is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held during the Relevant Period				
Name of Director	**Board meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General[(Note)] meeting**
Executive Directors					
Mr. LU Bo (陸波)	3/3	N/A	N/A	1/1	0/0
Ms. LU Xiaojing (陸曉靜)	3/3	N/A	N/A	N/A	0/0
Ms. BAI Wei (白薇)	3/3	N/A	N/A	N/A	0/0
Mr. SHAO Song (邵松)	3/3	N/A	N/A	N/A	0/0
Ms. WU Rui (吳瑞)	3/3	N/A	N/A	N/A	0/0
Independent Non-executive Directors					
Mr. BAU Siu Fung (鮑小豐)	3/3	1/1	1/1	N/A	0/0
Mr. TU Shenwei (塗申偉)	3/3	1/1	1/1	1/1	0/0
Mr. SHEN Cheng (沈誠) *(Appointed with effect from 4 December 2024)*	1/3	0/1	1/1	1/1	0/0
Mr. ZHANG Shengjie (張晟杰) *(Resigned with effect from 5 September 2024)*	1/3	1/1	0/1	0/1	0/0

Note: No general meeting was held during the relevant period of 2024 after the Shares were listed on the Stock Exchange on 10 July 2024. The first extraordinary general meeting was held on 5 February 2025.

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-executive Directors without the presence of other Directors during the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Save as disclosed in this annual report, during the Relevant Period and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Relevant Period, the Company did not receive from the independent non-executive Directors of any subsequent change of circumstances which may affect his independence. The Company has received the annual confirmations of independence from each of the independent non-executive Directors. The Board has considered the independence of each of the independent non- executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the CG Code. 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, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee currently consists of three independent non-executive Directors being Mr. TU Shenwei, Mr. SHEN Cheng and Mr. BAU Siu Fung. The chairperson of the Audit Committee is Mr. TU Shenwei . Mr. BAU Siu Fung holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing rules.

During the Relevant Period, one meeting was held by the Audit Committee. The Audit Committee had reviewed together with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim results for the six months ended 30 June 2024. During the Relevant Period, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. Please see the paragraph titled "Board Meetings" above for the attendance record of each member of the Audit Committee.

After the Relevant Period and up to the date of this annual report, the Audit Committee has also reviewed the consolidated financial statements and annual report for the year ended 31 December 2024, and was of the view that the preparation of such results has complied with applicable accounting standards and relevant regulatory and legal requirements, and that sufficient disclosures have been made.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee consists of three independent non-executive Directors being Mr. TU Shenwei, Mr. SHEN Cheng and Mr. BAU Siu Fung. Mr. TU Shenwei is the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee will also have the responsibilities of reviewing and approving matters relating to share scheme in accordance with Chapter 17 of the Listing Rules.

During the Relevant Period, one meeting was held by the Remuneration Committee to review and consider the remuneration packages for the Director of the Company. Please see the paragraph titled "Board Meetings" above for the attendance record of each member of the Remuneration Committee.

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics. Details of the Directors' remuneration are set out in Note 11 to the consolidated financial statements in this annual report.

Details of the emoluments of the Directors for the year ended 31 December 2024 are set out in Note 11 to the consolidated financial statements in this annual report. The remuneration of the members of senior management (including the executive Directors) by band for the year ended 31 December 2024 is set out below:

Remuneration by band (RMB)	Number of person(s)
Nil to 1,000,000	1
1,000,000 to 1,500,000	1

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The Nomination Committee consists of one executive Director, namely, Mr. LU Bo, and two independent non-executive Directors, namely, Mr. TU Shenwei and Mr. SHEN Cheng. Mr. LU Bo is the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

During the Relevant Period, one meeting was held by Nomination Committee to make recommendation to the Board in respect of the appointment of new Director.

After the Relevant Period and up to the date of this annual report, one meeting was held by the Nomination Committee to (i) review the structure size and composition of the Board; (ii) make recommendation to the Board in respect of the re-appointment of Directors; (iii) assess the independence and appointment (where applicable) of the independent non-executive Directors; and (iv) review the Company's director nomination policy, board diversity policy and policy for corporate governance, to ensure that it is in compliance with the Listing Rules and the CG Code.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the board diversity policy. The Nomination Committee has discussed and agreed on measurable objectives for achieving diversity on the Board. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the nomination policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Dividend Policy

The Company does not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of the shareholders in a shareholders meeting. The Directors may recommend a payment of dividends in the future after taking into account the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure, future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents, applicable laws and regulations and approval of the Shareholders. As the Company is a holding company, the ability to declare and pay dividends will depend on the receipt of sufficient funds from the subsidiaries. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors.

Nomination Policy

The Company has adopted a Director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level (the "**Director Nomination Policy**"). The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

(a) Integrity and reputation;

(b) Educational background, professional qualifications and work experience;

(c) Whether or not they have the necessary knowledge, skills and experience;

(d) Whether or not they are able to spend sufficient time and energy to handle the Company's affairs;

(e) Whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;

(f) Whether or not the candidates for independent directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and

(g) Any other relevant factors as determined by the Nomination Committee or the Board from time to time.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The Board has performed the above duties during the Relevant Period.

DIRECTOR' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the paragraph C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The newly appointed Independent Non-executive director, Mr. SHEN Cheng, has received a comprehensive, formal and tailored induction on appointment. Mr. SHEN Cheng has obtained the legal advice stipulated under Rule 3.09D of the Listing Rules on 4 December 2024 and confirmed understanding of his obligations as a Director of the Company.

Pursuant to the paragraph C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2024, all of the following Directors participated in continuous professional development by attending trainings related to the Group's businesses, Listing Rules, legal and regulatory requirements and corporate governance practices, and by reading relevant materials to keep themselves abreast of regulatory developments and changes, to develop and refresh their knowledge and skills:

Name of Director	**Participated in continuous professional training**
Executive Directors	✓
Mr. LU Bo (陸波)	✓
Ms. LU Xiaojing (陸曉靜)	✓
Ms. BAI Wei (白薇)	✓
Mr. SHAO Song (邵松)	✓
Ms. WU Rui (吳瑞)	
Independent Non-executive Directors	
Mr. BAU Siu Fung (鮑小豐)	✓
Mr. TU Shenwei (塗申偉)	✓
Mr. SHEN Cheng (沈誠) *(Appointed with effect from 4 December 2024)*	✓
Mr. ZHANG Shengjie (張晟杰) *(Resigned with effect from 5 September 2024)*	✓

EXTERNAL AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on page 47. The external auditors of the Company shall attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence. The remuneration paid or payable to the Company's external auditor in respect of audit services and non-audit services (such non-audit services are related to tax services) for the year ended 31 December 2024 amounted to approximately RMB0.9 million and RMB0.4 million, respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Relevant Period, the Board, with the assistance of the Audit Committee, has reviewed of the effectiveness of the risk management and internal control system of the Group (including all material controls, including financial, compliance and operational controls as well as risk management mechanisms) and considered the system effective and adequate.

The Group has established a complete risk management and internal control system, comprising internal control environment, risk assessment, control activities, information and communication, and supervision, to ensure the legality and compliance of the Group's operations, asset security, truthfulness and completeness of financial reports and related information, continuous improvement of operational efficiency and effectiveness, and to ensure the Group's long-term sustainable development. The system would evaluate and manage significant risks and to resolve material internal control defects.

The Board is responsible for determining the goals of risk management, continuously monitoring the risk management and internal control system, and ensuring its effectiveness. The Audit Committee directly reviews and supervises the effectiveness of risk management and internal control systems, and report to the Board. The senior management is responsible for leading and organizing the establishment, implementation, and supervision of risk management and internal control system. The Group has established three lines of defense for risk management, including each of the individual departments, management team, and supervision function. All three lines of defense work together in a closed cycle providing oversight and supervision to each other, and to resolve material internal control defects, if any. The three lines of defense comprehensively monitors risk factors on a regular basis and effectively reducing the occurrence of risks in the Group's operation.

The Company has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually. The Board believes that there are no material internal controls deficiencies and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties. The Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

The Board, with the assistance of the Audit Committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal review and financial reporting functions.

The Group engaged First Shanghai Capital Limited as the compliance adviser to provide professional advice to Directors and management team from the Listing Date and up to the date of this annual report.

Anti-bribery and anti-corruption

The Group committed to implementing anti-corruption measures as a part of our ambition to achieve sustainable business integrity. Upholding principles of fairness and morality, we have zero tolerance for unethical business practices such as bribery, fraud, corruption, extortion, and money laundering. We conduct regular training and onboarding training for all employees, keeping them updated and informed about anti-corruption laws and regulations and the Company's corresponding policies. We strictly comply with the Supervision Law of the People's Republic of China as well as other relevant legislations, ensuring our corporate conduct is both ethical and lawful. We also have developed internal policies such as Employee Anti-Bribery and Anti-Corruption Behaviour Guidelines (《員工反賄賂反腐敗行為準則》). Employee Anti-Bribery and Anti-Corruption Behaviour Guidelines (《員工反賄賂反腐敗行為準則》) clearly stipulates specific requirements in respect of business referrals, private investments, business opportunities, gifts, property and gratuities. In addition, we also established the Whistleblowing and Whistleblower Protection Reward Program (《舉報及舉報人保護獎勵程序》), which regulates the process of handling matters. We established unimpeded petition whistleblowing channels, including via phone and email, encouraging employees to report any violations of discipline and regulations in relation to corruption actions and protect the whistle-blower in accordance with related internal rules. Further details on our anti-corruption and whistleblower policies are disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2024 which shall be published separately.

During the Reporting Period, the Group was not aware of any incompliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the operations of the Company. There were no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

JOINT COMPANY SECRETARIES

Mr. FU Cong ("**Mr. Fu**") and Mr. LEE Chung Shing ("**Mr. Lee**") are the joint company secretaries of the Company. Mr. Fu and Mr. Lee have confirmed that they have taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2024. The biographies of Mr. Fu and Mr. Lee are set out in the section headed "Biographies of Directors and Senior Management" in this annual report. Mr. Lee is not an employee of the Group and Mr. Fu, the finance director of the Company is the person whom Mr. Lee can contact for the purpose of code provision C.6.1 of the CG Code.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial and separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an extraordinary general meeting by Shareholders

Pursuant to the article 17 of the Articles of Association, the Directors may call general meetings, and they shall on a Members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A Members' requisition is a requisition of one or more Members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The Members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.

If there are no Directors as at the date of the deposit of the Members' requisition or if the Directors do not within 21 days from the date of the deposit of the Members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

Putting forward proposals at general meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Cayman Companies Act. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, shareholders of the Company may send written enquiries to the Company, the contact details of which are contained on the website of the Company (www.ruichang.com.cn).

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with Shareholders and investors. There are a number of formal communication channels which the Company uses to report and account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meetings, which provide a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updates of key information of the Group that are made available to Shareholders and investors through the websites of the Stock Exchange and the Company; (iv) the Company's website providing dedicated contact details to facilitate direct communications between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong, which serve Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed and timely information that concerns the Group to Shareholders and on a regular basis. This is achieved through our interim and annual reports, investor presentations as well as circulars, notices and other announcements.

The Board regularly reviews our existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. The Board considers our current practices were well-implemented throughout the year and achieved satisfactory results.

CHANGES IN CONSTITUTIONAL DOCUMENTS

Save for the adoption of the Articles of Association for the purpose of the Listing, there had been no change in the Company's constitutional documents during the year ended 31 December 2024. The Articles of Association is available on the websites of the Company and Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
RUICHANG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 48 to 111, 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.

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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") 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 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Impairment assessments of trade receivables and contract assets

Refer to Note 24 and 30 to the consolidated financial statements

The Group tested the amounts of trade receivables and contract assets for impairment. This impairment test is significant to our audit because the balances of trade receivables and contract assets of RMB236,909,000 and RMB41,177,000 respectively, as at 31 December 2024 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to debtors;

— Assessing the Group's relationship and transaction history with the debtors;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the trade receivables;

— Assessing creditworthiness of the debtors;

— Checking subsequent settlements from the debtors; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables and contract assets is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Tse Kit Yan
Audit Engagement Director
Practising Certificate Number P08158
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	**444,188**	544,129
Cost of sales		**(301,214)**	(352,581)
Gross profit		**142,974**	191,548
Other income and gains, net	9	**7,934**	4,355
Selling expenses		**(27,408)**	(24,803)
Administrative expenses		**(50,350)**	(41,279)
Research and development expenses	13	**(31,561)**	(37,963)
Listing expenses	13	**(14,909)**	(12,632)
Impairment losses of financial assets and contract assets	13	**(5,696)**	(5,885)
Share of results of an associate	20	**71**	60
Finance costs	10	**(6,187)**	(5,921)
Profit before tax		**14,868**	67,480
Income tax expenses	12	**(4,539)**	(12,269)
Profit for the year	13	**10,329**	55,211
Other comprehensive income/(loss) after tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI")		**2,567**	(329)
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**122**	(217)
Total comprehensive income for the year		**13,018**	54,665
Profit for the year attributable to:			
Owners of the Company		**10,329**	55,211
Non-controlling interests		**–**	–
		10,329	55,211
Total comprehensive income for the year attributable to:			
Owners of the Company		**13,018**	54,665
Non-controlling interests		**–**	–
		13,018	54,665
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	14	**2.38**	14.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**58,674**	54,015
Investment property	17	**10,639**	11,119
Right-of-use assets	18	**44,820**	42,115
Intangible assets	19	**4,446**	2,142
Investment in an associate	20	**793**	722
Financial assets at fair value through other comprehensive income	21	**18,632**	14,355
Deferred tax assets	22	**3,276**	3,028
Prepayment for property, plant and equipment		**–**	52
		141,280	127,548
CURRENT ASSETS			
Inventories	23	**52,040**	66,742
Trade and notes receivables	24	**252,606**	326,916
Prepayments, other receivables and other assets	25	**80,958**	58,358
Financial assets at fair value through profit or loss	27	**9,350**	–
Contract assets	30	**41,177**	48,946
Pledged deposits	28	**19,629**	21,457
Cash and bank balances	28	**129,910**	45,670
		585,670	568,089
CURRENT LIABILITIES			
Trade and notes payables	29	**154,430**	149,347
Contract liabilities	30	**31,564**	76,037
Accruals and other payables	31	**34,837**	41,194
Bank and other borrowings	32	**105,158**	82,336
Lease liabilities	33	**1,575**	2,504
Tax payable		**3,636**	7,660
		331,200	359,078
NET CURRENT ASSETS		**254,470**	209,011
TOTAL ASSETS LESS CURRENT LIABILITIES		**395,750**	336,559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	32	**–**	39,500
Lease liabilities	33	**7,404**	1,904
		7,404	41,404
NET ASSETS		**388,346**	295,155
CAPITAL AND RESERVES			
Share capital	34	**36**	–
Reserves	35	**388,010**	295,155
Equity attributable to owners of the Company		**388,046**	295,155
Non-controlling interests		**300**	–
TOTAL EQUITY		**388,346**	295,155

The notes on pages 54 to 111 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 48 to 111 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Lu Bo	**Lu Xiaojing**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Investment revaluation reserve**	**Foreign currency translation reserve**	**Statutory reserve**	**Retained profits**	**Sub-Total**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000 (Note 35)	RMB'000	RMB'000	RMB'000 (Note 35)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	–	33,578	(2,316)	7,834	27,023	174,371	240,490	–	240,490
Profit for the year	–	–	–	–	–	–	55,211	55,211	–	55,211
Other comprehensive income for the year:										
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	(329)	–	–	–	(329)	–	(329)
Exchange differences arising on translation of foreign operations	–	–	–	–	(217)	–	–	(217)	–	(217)
Total comprehensive income for the year	–	–	–	(329)	(217)	–	55,211	54,665	–	54,665
At 31 December 2023 and 1 January 2024	**–**	**–**	**33,578**	**(2,645)**	**7,617**	**27,023**	**229,582**	**295,155**	**–**	**295,155**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**10,329**	**10,329**	**–**	**10,329**
Other comprehensive income for the year:										
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**2,567**	**–**	**–**	**–**	**2,567**	**–**	**2,567**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**122**	**–**	**–**	**122**	**–**	**122**
Total comprehensive income for the year	**–**	**–**	**–**	**2,567**	**122**	**–**	**10,329**	**13,018**	**–**	**13,018**
Issuance of shares upon listing on the Hong Kong Stock Exchange	**9**	**118,819**	**–**	**–**	**–**	**–**	**–**	**118,828**	**–**	**118,828**
Capitalisation issue	**27**	**(27)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capitalisation of listing expenses	**–**	**(18,955)**	**–**	**–**	**–**	**–**	**–**	**(18,955)**	**–**	**(18,955)**
Dividend declared and paid (note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**(20,000)**	**(20,000)**	**–**	**(20,000)**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**300**	**300**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**3,919**	**(3,919)**	**–**	**–**	**–**
At 31 December 2024	**36**	**99,837**	**33,578**	**(78)**	**7,739**	**30,942**	**215,992**	**388,046**	**300**	**388,346**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Profit before tax	**14,868**	67,480
Adjustments for:		
Amortisation of intangible assets	**565**	373
Depreciation of investment property	**480**	479
Depreciation of property, plant and equipment	**6,124**	6,098
Depreciation of right-of-use assets	**4,560**	3,302
Finance costs	**6,187**	5,921
Interest income	**(1,038)**	(576)
Loss on disposal of property, plant and equipment	**18**	20
Loss on lease termination	**29**	–
Share of results of an associate	**(71)**	(60)
Impairment losses of financial assets and contract assets	**5,696**	5,885
Fair value gain on investments at fair value through profit or loss	**(163)**	–
Operating profit before working capital changes	**37,255**	88,922
Change in accruals and other payables	**(6,357)**	(7,288)
Change in contract assets	**9,519**	(14,092)
Change in contract liabilities	**(44,473)**	(13,223)
Change in inventories	**14,702**	(13,614)
Change in pledged deposits	**1,828**	(15,647)
Change in prepayments, deposits and other receivables	**(20,579)**	(4,932)
Change in trade and notes payables	**5,083**	22,553
Change in trade and notes receivables	**66,595**	(21,705)
Cash generated from operations	**63,573**	20,974
Income tax paid	**(8,811)**	(14,569)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**54,762**	6,405
Cash flows from investing activities		
Interest received	**1,038**	576
Advance to the controlling shareholders	**–**	(8,553)
Loans to third parties	**(11,650)**	–
Proceeds from disposal of property, plant and equipment	**159**	28
Purchases of property, plant and equipment	**(10,908)**	(4,766)
Purchases of financial assets at fair value through profit or loss	**(9,187)**	–
Payments for financial assets at fair value through other comprehensive income	**(1,710)**	–
Purchases of intangible assets	**(2,869)**	(1,361)
NET CASH USED IN INVESTING ACTIVITIES	**(35,127)**	(14,076)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Cash flows from financing activities		
Repayment of bank and other borrowings	**(152,036)**	(79,618)
Repayment of lease liabilities	**(2,723)**	(2,933)
Dividends paid	**(10,102)**	–
Interest paid	**(6,187)**	(5,921)
Deferred issue cost	**–**	(2,434)
Addition of bank and other borrowings	**135,358**	122,854
Capital contribution from non-controlling interests common control	**300**	–
Net proceeds from shares issued	**99,873**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**64,483**	31,948
NET INCREASE IN CASH AND CASH EQUIVALENTS	**84,118**	24,277
Effect of changes in foreign exchange rate	**122**	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**45,670**	21,390
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and bank balances	**129,910**	45,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2024 (the "Listing").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group".

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the 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.

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair values, as set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. MATERIAL ACCOUNTING POLICIES (continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. MATERIAL ACCOUNTING POLICIES (continued)

Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure upon the completion of reorganisation had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency translation

(i) Functional and presentation currency

Items included in the 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 is presented in RMB, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's consolidated financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	4.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery and electronic equipment	9% to 18%
Office equipment and others	18% to 33 1/3%
Motor vehicles	19%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents heat exchangers pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 50 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Purchased software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lifes of 3 to 10 years, which is estimated by the Group based on the expected useful life according to technical obsolescence and innovations. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

3. MATERIAL ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3. MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises materials and components and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customers. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligation. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade and other receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

To measure the expected credit losses, trade receivables and contract assets have been assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, ageing profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Details of the loss allowance of trade receivables and contract assets are included in Note 13.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade and other receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

(a) *Manufacturing and sale of equipment*

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) *Installation services*

Revenue from installation services is recognised over time. The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the industrial products.

Contracts for bundled sales of industrial products and installation services are comprised of two performance obligations because the promises to transfer the industrial products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the industrial products and installation services.

3. MATERIAL ACCOUNTING POLICIES (continued)

Other revenue

Rental income is recognised on a straight-line basis over the lease terms.

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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 arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

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 its current tax assets and liabilities on a net basis.

3. MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except deferred tax assets, inventories and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

4. KEY ESTIMATES AND JUDGEMENTS

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Accounting for an interest in an investee

The Group has entered into a partnership agreement to invest in an unlisted entity, named Ningbo Bomijia Fund LP ("the Fund"). The director of the Company assessed whether or not the Group has control over the Fund based on whether the Group has power over the Fund, has rights to variable returns from its involvement with the Fund and has the ability to affect those returns through its power over the Fund. After assessment, the directors of the Company concluded that the Group does not have control over the Fund and accordingly, the Group has not consolidated the Fund during the reporting period.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its transactions, assets and liabilities are principally denominated the functional currency of the entity to which they are related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the cash and bank balances, trade receivables and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— external credit rating (if available);

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

— actual or expected significant changes in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses the following category for non-trade receivables, which reflect their credit risk and how the loss provision is determined for the category. In calculating the expected credit loss rates, the Group considers historical loss rates for the following category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 months expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at 31 December 2024 and 2023, based on the contractual undiscounted payments, is as follows:

At 31 December 2024

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade and notes payables	**154,430**	**–**	**–**	**154,430**
Bank and other borrowings	**106,850**	**–**	**–**	**106,850**
Lease liabilities	**1,697**	**2,121**	**6,059**	**9,877**
Financial liabilities included in other payables and accruals	**9,584**	**–**	**–**	**9,584**
Total	**272,561**	**2,121**	**6,059**	**280,741**

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

At 31 December 2023

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade and notes payables	149,347	–	–	149,347
Bank and other borrowings	85,323	14,708	27,056	127,087
Lease liabilities	2,654	1,542	426	4,622
Financial liabilities included in other payables and accruals	8,107	–	–	8,107
Total	245,431	16,250	27,482	289,163

(d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years ended 31 December 2024 and 2023.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a ratio, which is total liabilities divided by total equity. The Group's policy is to maintain the ratio at a healthy level in order to support its operation. The principal strategies adopted by the Group include, but not limited to, reviewing future cash flow requirements and ability to meet debt repayment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its operation. The ratios as at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Total liabilities	**338,604**	400,482
Total equity	**388,346**	295,155
Ratio	**87.19%**	135.69%

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

(f) Categories of financial instruments

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and notes receivables	**252,606**	326,916
Financial assets included in other receivables and other assets	**54,922**	25,650
Pledged deposits	**19,629**	21,457
Cash and bank balances	**129,910**	45,670
	457,067	419,693
Financial assets at fair value through profit or loss	**9,350**	–
Financial assets at fair value through other comprehensive income	**18,632**	14,355
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and notes payables	**154,430**	149,347
Lease liabilities	**8,979**	4,408
Bank and other borrowings	**105,158**	121,836
Financial liabilities included in other payables and accruals	**9,584**	8,107
	278,151	283,698

5. FINANCIAL RISK MANAGEMENT (continued)

(g) Fair values

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, trade and notes payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities was assessed to be insignificant.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS (continued)

Disclosures of level in fair value hierarchy at 31 December 2024:

Description	Fair value measurements using: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
— Fund	**–**	**9,350**	**–**	**9,350**
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	**–**	**–**	**18,632**	**18,632**

Disclosures of level in fair value hierarchy at 31 December 2023:

Description	Fair value measurements using: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	14,355	14,355

During the years ended 31 December 2024 and 2023, there was no transfer between level 1, 2 and 3 for recurring fair value measurements.

6. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of assets measured at fair value based on level 3:

Description	**Financial assets at fair value through other comprehensive income Unlisted equity investment RMB'000**
At 1 January 2024	**14,355**
Addition	**1,710**
Total gains or losses recognised in other comprehensive income	**2,567**
At 31 December 2024	**18,632**

Description	Financial assets at fair value through other comprehensive income Unlisted equity investment RMB'000
At 1 January 2023	14,684
Total gains or losses recognised in other comprehensive income	(329)
At 31 December 2023	14,355

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

6. FAIR VALUE MEASUREMENTS (continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (continued)

Level 2 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value as at 31 December 2024 RMB'000**
Financial assets at fair value through profit or loss — Fund	Share of net assets	Net assets value	**9,350**

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Effect on fair value for increase of inputs**	**Fair value as at 31 December 2024 RMB'000**
Financial assets at fair value through other comprehensive income — Unlisted equity investments	Share of net assets	(Note)	(Note)	**18,632**

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value as at 31 December 2023 RMB'000
Financial assets at fair value through other comprehensive income — Unlisted equity investments	Share of net assets	(Note)	(Note)	14,355

During the years ended 31 December 2024 and 2023, there were no changes in the valuation techniques used.

Note: The Group's investment in unlisted equity investment which were classified as financial assets at fair value through other comprehensive income ("FVTOCI"). The significant unobservable input is the net assets value of the underlying investments. The higher the net assets value of the underlying investment, the higher the fair value of the financial assets at FVTOCI will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variable constant, would increase/decrease the carrying amounts of these investments by RMB932,000 at 31 December 2024 (2023: RMB718,000).

7. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers		
Manufacturing and sale of equipment		
SRU and VOCs incineration equipment	**158,060**	77,218
Catalytic cracking equipment	**194,446**	319,266
Process burners	**64,576**	114,264
Heat exchangers	**27,106**	33,381
	444,188	544,129

Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point of time	**444,188**	544,129

Revenue from customers which individually contributed over 10% of the Group's revenue were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Customer A	**Note (i)**	191,671
Customer B	**Note (i)**	57,024
Customer C	**Note (i)**	62,456
Customer D	**106,350**	Note (i)
Customer E	**49,513**	Note (ii)

Notes:

(i) Contributed less than 10% of the Group's total revenue for the relevant year.

(ii) No contributed for the relevant year.

7. REVENUE (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Sales of products	**69,761**	86,130

There was no revenue recognised from performance obligations satisfied in previous years.

Performance obligations

Sale of SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers

The performance obligation is satisfied upon customers' acceptance of relevant products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

8. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of petroleum refinery and petrochemical equipment to customers in Mainland China.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

The Group operated within one geographical area because the majority of the Group's revenue was generated in Mainland China and all of its non-current assets/capital expenditure were located/incurred in Mainland China. Therefore, no geographical information is presented.

The non-current asset information above is based on the locations of the assets and excludes financial instruments, prepayments and deferred tax assets.

9. OTHER INCOME AND GAINS, NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grant [1]	**385**	1,097
Additional tax credit for input VAT	**3,589**	–
Interest income	**1,038**	576
Rental income, net	**204**	325
Fair value gain on investments at fair value through profit or loss	**163**	–
Others [2]	**2,555**	2,357
	7,934	4,355

(1) Government grants were received from the government mainly for the subsidies of high-tech enterprises.

(2) Others mainly include net foreign exchange gain/loss, sale of scrap materials and provision of design and testing services.

10. FINANCE COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest on bank and other borrowings	**5,886**	5,716
Interest on lease liabilities	**301**	205
	6,187	5,921

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The remuneration of each of these directors during the year is set out below:

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2024				
Executive directors:				
Mr. LU Bo (i)	**504**	**241**	**219**	**964**
Ms. LU Xiaojing (i)	**388**	**241**	**182**	**811**
Ms. BAI Wei (ii)	**158**	**130**	**106**	**394**
Mr. SHAO Song (ii)	**299**	**190**	**217**	**706**
Ms. WU Rui (ii)	**288**	**130**	**–**	**418**
	1,637	**932**	**724**	**3,293**
Independent non-executive directors:				
Mr. TU Shenwei (iii)	**50**	**–**	**–**	**50**
Mr. ZHANG Shengjie (iv)	**25**	**–**	**–**	**25**
Mr. BAU Siu Fung (iii)	**50**	**–**	**–**	**50**
Mr. Shen Cheng (v)	**8**	**–**	**–**	**8**
	133	**–**	**–**	**133**
Year ended 31 December 2023				
Executive directors:				
Mr. LU Bo (i)	457	241	144	842
Ms. LU Xiaojing (i)	325	105	144	574
Ms. BAI Wei (ii)	178	130	85	393
Mr. SHAO Song (ii)	299	35	113	447
Ms. WU Rui (ii)	280	100	–	380
	1,539	611	486	2,636

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Notes:

(i) Mr. Lu Bo and Ms. Lu Xiaojing were appointed as Directors of the Company on 6 February 2020. Mr. Lu Bo and Ms. Lu Xiaojing were re-designated as executive directors of the Company on 15 March 2023, respectively.

(ii) Ms. Bai Wei, Mr. Shao Song and Ms. Wu Rui were appointed as executive directors of the Company on 15 March 2023, respectively.

(iii) Mr. TU Shenwei and Mr. BAU Siu Fung were appointed as independent non-executive directors of the Company on 10 July 2024, respectively.

(iv) Mr. ZHANG Shengjie was appointed as independent non-executive director of the Company on 10 July 2024, and resigned on 5 September 2024.

(v) Mr. Shen Cheng was appointed as independent non-executive director of the Company on 4 December 2024.

Five highest paid individuals' emoluments

The five highest paid employees of the Group include three (2023: one) directors of the Company for the year ended 31 December 2024. Details of the remuneration for the year ended 31 December 2024 of the remaining two (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,094**	1,770
Performance related bonuses	**430**	918
Pension scheme contributions	**402**	338
	1,926	3,026

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2024	2023
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	2	4

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax — Mainland China:		
Charge for the year	**3,787**	13,332
Withholding tax	**1,000**	–
Deferred income tax (note 22)	**(248)**	(1,063)
	4,539	12,269

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the years ended 31 December 2024 and 2023.

Under the PRC Corporate Income Tax Law (the "CIT Law"), which became effective on January 1, 2008, the Group's PRC entities are subject to enterprise income tax at a rate of 25%, unless otherwise specified. For the years ended 31 December 2024 and 2023, the Group's subsidiaries registered in the PRC that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws except for two subsidiaries, Luoyang Ruichang Environmental Engineering Co., Ltd ("Luoyang Ruichang") and Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd ("Shanghai Ruiqieer"). Luoyang Ruichang is qualified for a high and new technology enterprise ("HNTE") in September 2017 and became eligible for 15% preferential tax rate effective for three consecutive years ended 31 December 2017, 2018 and 2019. Luoyang Ruichang renews its HNTE certification in November 2023 and is eligible for 15% preferential tax rate effective for three consecutive years ended 31 December 2023, 2024 and 2025. Shanghai Ruiqieer is also qualified for a HNTE in December 2021and is eligible for 15% preferential tax rate effective three consecutive years ended 31 December 2021, 2022 and 2023. Shanghai Ruiqieer renews its HNTE certification in December 2024 and is eligible for 15% preferential tax rate effective for three consecutive years ended 31 December 2024, 2025 and 2026.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax.

12. INCOME TAX EXPENSES (continued)

The reconciliation between the income tax expense and the profit before tax is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before tax	**14,868**	67,480
Tax at domestic income tax rate	**3,717**	16,870
Lower tax rate enacted by local authority	**(592)**	(5,317)
Tax effect of expenses not deductible and income not taxable for tax purpose	**592**	1,251
Tax incentives on eligible expenditures	**(4,899)**	(5,795)
Tax losses not recognised	**4,721**	5,260
PRC dividend withholding tax	**1,000**	–
Income tax expenses	**4,539**	12,269

The Group has accumulated tax losses in PRC of RMB107,475,000 at 31 December 2024 (2023: RMB75,919,000), available for offset against future profits, which will expire in ten years. No deferred tax asset has been recognised in respect of the tax losses and the deductible temporary differences due to unpredictability of future profit streams.

13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of inventories sold	**293,748**	336,261
Depreciation of property, plant and equipment	**6,124**	6,098
Depreciation of investment property	**480**	479
Depreciation of right-of-use assets	**4,560**	3,302
Amortisation of intangible assets	**565**	373
Research and development costs	**31,561**	37,963
Auditor's remuneration	**930**	127
Loss on disposal of property, plant and equipment	**18**	20
Short term leases exempt from capitalisation under HKFRS 16	**178**	375
Interest income	**(1,038)**	(576)
Listing expenses	**14,909**	12,632
Fair value gain on investments at fair value through profit or loss	**163**	–
(Reversal of impairment losses)/impairment losses recognised on:		
— trade receivables	**7,715**	4,547
— financial assets included in prepayments, other receivables and other assets	**(269)**	(36)
— contract assets	**(1,750)**	1,374
	5,696	5,885
Staff costs including directors' emoluments		
— salaries, allowances and other benefits	**63,890**	61,487
— retirement benefit scheme contributions	**6,484**	10,101
Total staff costs, including directors' remunerations	**70,374**	71,588

14. EARNINGS PER SHARE

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

	Year ended 31 December	
	2024	2023
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	**10,329**	55,211
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**434,767,760**	375,000,000

The weighted average number of ordinary shares had been adjusted for the effect of the capitalisation issue for the years ended 31 December 2024 and 2023, as stated in Note 34.

The diluted earnings per share is the same as basic earnings per share for the years ended 31 December 2024 and 2023 as there was no potential ordinary share in issue.

15. DIVIDENDS

On 29 May 2024, the Company distributed a dividend amounting to RMB20,000,000. During the year of 2024, RMB10,102,000 had been paid in cash and RMB9,898,000 was settled by offsetting with Group's receivables due from controlling shareholders.

A proposed final dividend of RMB0.04 per share, totalling RMB20,000,000 for the year of 2024 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Machinery and electronic equipment RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at 1 January 2023	72,350	1,153	1,331	31,301	3,109	1,399	110,643
Additions	–	366	254	3,358	329	407	4,714
Disposals	–	–	–	(561)	–	–	(561)
As at 31 December 2023 and 1 January 2024	**72,350**	**1,519**	**1,585**	**34,098**	**3,438**	**1,806**	**114,796**
Additions	**–**	**1,736**	**800**	**2,252**	**651**	**5,521**	**10,960**
Disposals	**–**	**–**	**(534)**	**(508)**	**(136)**	**–**	**(1,178)**
As at 31 December 2024	**72,350**	**3,255**	**1,851**	**35,842**	**3,953**	**7,327**	**124,578**
Accumulated depreciation							
As at 1 January 2023	30,584	567	820	20,890	2,336	–	55,197
Provided for the year	3,256	429	206	1,967	240	–	6,098
Disposals	–	–	–	(514)	–	–	(514)
As at 31 December 2023 and 1 January 2024	**33,840**	**996**	**1,026**	**22,343**	**2,576**	**–**	**60,781**
Provided for the year	**3,256**	**125**	**221**	**2,219**	**303**	**–**	**6,124**
Disposals	**–**	**–**	**(415)**	**(503)**	**(83)**	**–**	**(1,001)**
As at 31 December 2024	**37,096**	**1,121**	**832**	**24,059**	**2,796**	**–**	**65,904**
Carrying amount							
As at 31 December 2024	**35,254**	**2,134**	**1,019**	**11,783**	**1,157**	**7,327**	**58,674**
As at 31 December 2023	38,510	523	559	11,755	862	1,806	54,015

At 31 December 2023, the carrying amount of properties, plant and equipment pledged as security for the Company's bank loans amounted to RMB33,512,000.

At 31 December 2023, the carrying amount of properties, plant and equipment pledged as security for the Company's other loan amounted to RMB6,982,000.

At 31 December 2024, no properties, plant and equipment was pledged as security for the Group's bank and other loans.

17. INVESTMENT PROPERTY

	RMB'000
Cost	
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	15,287
Accumulated depreciation	
As at 1 January 2023	3,689
Charge for the year	479
As at 31 December 2023 and 1 January 2024	**4,168**
Charge for the year	**480**
As at 31 December 2024	**4,648**
Net book value	
As at 31 December 2024	**10,639**
As at 31 December 2023	11,119

The Group's investment property consists of one industrial property located in Luoyang leased to a third party.

The investment property is leased under an operating lease arrangement.

At 31 December 2024, no investment properties was pledged as security for the Company's bank loans (2023: RMB1,115,000).

18. RIGHT-OF-USE ASSETS

	Prepaid land lease payments RMB'000	Properties leased for own use RMB'000	Total RMB'000
Cost			
As at 1 January 2023	47,927	–	47,927
Additions	–	7,341	7,341
As at 31 December 2023 and 1 January 2024	**47,927**	**7,341**	**55,268**
Additions	**–**	**9,437**	**9,437**
Early termination	**–**	**(7,341)**	**(7,341)**
As at 31 December 2024	**47,927**	**9,437**	**57,364**
Accumulated depreciation			
As at 1 January 2023	9,851	–	9,851
Charge for the year	953	2,349	3,302
As at 31 December 2023 and 1 January 2024	**10,804**	**2,349**	**13,153**
Charge for the year	**953**	**3,607**	**4,560**
Early termination	**–**	**(5,169)**	**(5,169)**
As at 31 December 2024	**11,757**	**787**	**12,544**
Net book value			
As at 31 December 2024	**36,170**	**8,650**	**44,820**
As at 31 December 2023	37,123	4,992	42,115

19. INTANGIBLE ASSETS

	Purchased software RMB'000
Cost	
As at 1 January 2023	2,776
Additions	1,361
As at 31 December 2023 and 1 January 2024	**4,137**
Additions	**2,869**
As at 31 December 2024	**7,006**
Accumulated depreciation	
As at 1 January 2023	1,622
Charge for the year	373
As at 31 December 2023 and 1 January 2024	**1,995**
Charge for the year	**565**
As at 31 December 2024	**2,560**
Net book value	
As at 31 December 2024	**4,446**
As at 31 December 2023	2,142

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20. INVESTMENT IN AN ASSOCIATE

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Share of net assets	**181**	110
Goodwill	**612**	612
	793	722

Name of associate	Place of incorporation and business	Issued and fully paid share capital	% ownership interests/voting rights held by the Group	Principal activities
HS Engenharia e Supervisao Ltda	Brazil	BRL2,387,000	22.5	Engineering services

The following table illustrates the financial information of the Group's associate that is not individually material:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Carrying amount of the Group's investments in the associate	**793**	722

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Share of the associate's profit for the year	**71**	60

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		As at 31 December	
		2024	2023
	Note	**RMB'000**	RMB'000
Unlisted equity investments			
Ningbo Bomijia Fund LP	(a)	**16,922**	14,355
Shanghai Lanrui	(b)	**1,710**	–
		18,632	14,355

(a) In October 2021, the Group acquired 96.50% equity interest in Ningbo Bomijia Fund LP (""Ningbo Bomijia""), which is a Fund established in Ningbo, China. As at 31 December 2021, the Group had paid RMB17,000,000.

According to the terms of the Partnership Agreement, the Fund is managed by a fund manager, while limited partners of the Fund do not have rights to engage in the management of the Fund. The Group, as a limited partner in the Fund, does not have the power to involve and participate in the decision-making process and financial and operating policy decisions of the Fund. All investment decisions will be made by an Investment Committee, which composed with three members appointed by the general partner of the Fund. As such, the Group neither has control nor significant influence over the Fund and the Fund will not be considered as a subsidiary or an associated of the Group. Although the shares of the Fund held by the Group represent approximately 96.5% of the issued share capital of the Fund as at 31 December 2024 and 2023, the Group has no control over Ningbo Bomijia's investment decisions and has no significant influence over Ningbo Bomijia.

(b) In October 2024, the Group acquired 4.75% equity interest in Shanghai Lanrui Environmental Protection Energy Technology Co. Ltd. ("Shanghai Lanrui"), which is a company established in Shanghai, China. As at 31 December 2024, the Group had paid RMB1,710,000.

According to HKFRS 9, at initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies. The above investment is intended to be held for the medium to long-term, which is not held for trading, and company irrevocably elected to present subsequent changes in fair value of an equity investment in other comprehensive income.

Designation of the investments as equity investment at fair value through other comprehensive income can avoid the volatility of the fair value changes of the investment to the profit or loss.

22. DEFERRED TAX ASSETS

The movements in deferred tax assets and liabilities of the Group are as follows:

Deferred tax assets	Accruals	Provision for receivables	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	967	998	1,965
Credited to profit or loss during the year	274	789	1,063
As at 31 December 2023 and 1 January 2024	**1,241**	**1,787**	**3,028**
(Charged)/Credited to profit or loss during the year	**(483)**	**731**	**248**
As at 31 December 2024	**758**	**2,518**	**3,276**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,276**	3,028

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Tax losses	**15,946**	11,187

The above tax losses will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

23. INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Materials and components	**5,898**	6,409
Work in progress	**35,637**	55,629
Finished goods	**9,799**	3,983
Spare parts	**706**	721
	52,040	66,742

Inventories recognised as an expense was approximately RMB293,748,000 (2023: RMB336,261,000) as at 31 December 2024. These were included in cost of goods sold.

24. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	**253,817**	285,170
Provision for impairment	**(16,908)**	(9,193)
	236,909	275,977
Notes receivables	**15,697**	50,939
	252,606	326,916

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Notes receivables

The Group's notes receivables are all aged within twelve months, for which there was no recent history of default and past due amounts. At the end of each of the year, the loss allowance was assessed to be minimal.

24. TRADE AND NOTES RECEIVABLES (continued)

Trade receivables

The amount receivable from a contract that does not contain a financing component or a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less and then the transaction price is not adjusted for the effects of a significant financing component using the practical expedient in HKFRS 15 is accounted for in "Trade receivables". Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables, based on the date when the Group obtains unconditional rights for payment and net of loss allowance, is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 90 days	**88,150**	122,873
91 to 180 days	**12,290**	56,045
181 days to 1 year	**93,571**	72,707
Over 1 year but within 2 years	**33,244**	11,289
Over2 years but within 3 years	**6,017**	10,673
Over 3 years but within 4 years	**3,637**	2,390
	236,909	275,977

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Opening balance	**9,193**	5,155
Impairment losses	**7,715**	4,547
Amount written off as uncollectible	**–**	(509)
Closing balance	**16,908**	9,193

The significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the year ended 31 December 2024 is result of an increase of RMB7,715,000 (2023: an increase of RMB4,038,000) in loss allowance. At 31 December 2024 and 2023, the increase was mainly attributable to the increase of gross carrying amounts of trade receivables aged over 1 year.

24. TRADE AND NOTES RECEIVABLES (continued)

Trade receivables (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageings for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is no reasonable expectation of recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
At 31 December 2024						
Weighted average expected credit loss rate	**0.83%**	**7.58%**	**24.83%**	**60.53%**	**100.00%**	**6.66%**
Gross carrying amount (RMB'000)	**195,635**	**35,971**	**8,004**	**9,214**	**4,993**	**253,817**
Expected credit losses (RMB'000)	**1,624**	**2,727**	**1,987**	**5,577**	**4,993**	**16,908**
At 31 December 2023						
Weighted average expected credit loss rate	0.90%	9.93%	15.75%	46.60%	100.00%	3.22%
Gross carrying amount (RMB'000)	253,902	12,534	12,669	4,476	1,589	285,170
Expected credit losses (RMB'000)	2,277	1,245	1,996	2,086	1,589	9,193

The overall weighted average expected credit loss rate increased to approximately 6.66% for the year ended 31 December 2024 because the Group recorded an overall increase in the proportion of trade receivables aged over one year to the total gross trade receivables as at 31 December 2024 as compared to that as at 31 December 2023.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Advance to staff	**6,765**	2,833
Deposits	**6,453**	7,228
Loans to third parties (note i)	**11,650**	–
Other receivables	**28,819**	3,556
Prepayments	**26,036**	22,286
Prepayments for listing	**–**	10,422
Amount due from controlling shareholders (note 26)	**–**	9,847
Other current assets	**1,430**	2,650
	81,153	58,822
Impairment	**(195)**	(464)
	80,958	58,358

Notes:

(i) Representing loans to certain third-parties. These loans with amount of RMB6,650,000 are unsecured, interest-free and to be repaid in 1 year from the inception date of the loan. The amount was totally repaid in March 2025. The remaining balance of RMB5,000,000 are unsecured with interest rate of 8%-12% per annum and to be repaid in 1 year.

26. AMOUNT DUE FROM CONTROLLING SHAREHOLDERS

Amount due from controlling shareholders, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	**At 31 December 2024 RMB'000**	**Maximum amount outstanding during the year RMB'000**
Mr. Lu Bo	**–**	**4,978**
Ms. Lu Xiaojing	**–**	**4,869**
	–	

Name	At 31 December 2023 RMB'000	Maximum amount outstanding during the year RMB'000
Mr. Lu Bo	4,978	5,752
Ms. Lu Xiaojing	4,869	4,869
	9,847	

The amount due from controlling shareholders of the Company is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Fund instruments, at fair value	**9,350**	–

The above unlisted investments were Class B shares issued by private equity fund in Singapore. It has a lock-up period of 12 months since the subscription date. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

28. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and bank balances	**149,539**	67,127
Less: Pledged deposits	**(19,629)**	(21,457)
	129,910	45,670

At 31 December 2024, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB104,924,000 (2023: RMB66,911,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying years of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND NOTES PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	**134,786**	100,966
Notes payables	**19,644**	48,381
	154,430	149,347

29. TRADE AND NOTES PAYABLES (continued)

An ageing analysis of the trade and notes payables, based on the invoice date, is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 90 days	**100,887**	102,127
91 to 180 days	**17,005**	20,433
181 to 365 days	**14,974**	13,341
Over 1 year	**21,564**	13,446
	154,430	149,347

The trade payables are non-interest-bearing and are normally settled on 60-day terms in general.

During the year, the Group uses certain notes payables as its supplier finance arrangement. The notes payables are issued by the Group with its bankers to its suppliers. These notes are transferable by its holders. The bank will settle the notes payables and the Group will repay to the bank on due day of the notes. Certain deposits are pledged for notes payables which is due within six months.

30. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December		As at 1 January
	2024	2023	2023
	RMB'000	RMB'000	RMB'000
Contract assets	**41,670**	51,189	37,097
Less: allowance for expected credit losses	**(493)**	(2,243)	(869)
	41,177	48,946	36,228
Contract liabilities	**31,564**	76,037	89,260

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditional on the Group's future performance achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables when such right of collections becomes unconditional other than the passage of time.

30. CONTRACT ASSETS AND LIABILITIES (continued)

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**31,564**	76,037

Significant changes in contract liabilities during the year

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Increase due to operations in the year	**46,413**	72,907
Transfer of contract liabilities to revenue	**(90,886)**	(86,130)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

31. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Accrued salaries, wages and benefits	**15,115**	22,356
Other payables	**9,584**	8,107
Other tax payables	**10,138**	10,731
	34,837	41,194

32. BANK AND OTHER BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Secured loans	**99,800**	97,982
Unsecured loans	**5,358**	23,854
	105,158	121,836
Current portion	**(105,158)**	(82,336)
Non-current portion	**–**	39,500

The effective interest rate of bank and other borrowings are as follows:

	31 December 2024		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans — secured	**2.85%–3.80%**	**2025**	**99,800**
Bank loans — unsecured	**3.50%**	**2025**	**5,358**
			105,158

	31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	3.65%–4.50%	2024	48,500
Bank loans — unsecured	3.60%–3.95%	2024	23,854
Other loans — secured	14.20%	2024	9,982
			82,336
Non-current			
Bank loans — secured	3.80%-4.50%	2025–2026	39,500
			121,836

32. BANK AND OTHER BORROWINGS (continued)

The borrowings are repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**105,158**	82,336
In the second year	**–**	13,100
In the third to fifth years, inclusive	**–**	26,400
	105,158	121,836

Bank borrowings of approximately RMB79,800,000 and RMB30,000,000 were guaranteed by the Company as at 31 December 2024 and 2023, respectively.

Bank borrowings of approximately RMB20,000,000 were secured by patents and were guaranteed by the Company as at 31 December 2024. Bank borrowings of approximately RMB10,000,000 were secured by patents as at 31 December 2023.

Bank borrowings of approximately RMB33,000,000 were guaranteed by Mr. Lu Bo, Ms. Lu Xiaojing and Mr. Shao Song, and secured by property, plant and equipment and investment property as at 31 December 2023.

Bank borrowings of approximately RMB15,000,000 were guaranteed by the Company and secured by property, plant and equipment as at 31 December 2023.

Other borrowings of approximately RMB9,982,000 were secured by property, plant and equipment as at 31 December 2023.

33. LEASE LIABILITIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**1,575**	2,504
After 1 year but within 2 years	**1,857**	1,482
After 2 years but within 5 years	**5,547**	422
	7,404	1,904
	8,979	4,408

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% per annum as at 31 December 2024.

34. SHARE CAPITAL

	As at 31 December	
	2024	2023
	USD	USD
Authorised:		
5,000,000,000 ordinary shares of US$0.00001 each	**50,000**	50,000

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Issued and fully paid:		
Ordinary shares of US$0.00001 each	**36**	–

	Number of shares	Paid-up capital
		RMB
Issued:		
At 1 January 2023, 31 December 2023 and 1 January 2024	114,210	8
— Capitalisation Issue (note A)	374,885,790	26,745
— Issue of ordinary shares pursuant to IPO (note B)	125,000,000	8,918
At 31 December 2024	**500,000,000**	**35,671**

Note A: Pursuant to the board resolution on 24 June 2024, the directors of the Company were authorised to capitalise USD3,749 (equivalent to RMB26,745) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 374,885,790 Shares for allotment ("Capitalisation Issue") and issue to holders of shares whose name appear on the register of members of the Company on that day.

Note B: On 10 July 2024, the Company successfully completed the initial public offering ("IPO") on the Stock Exchange. In connection with the IPO, 125,000,000 ordinary shares were issued at an offer price of HKD1.05 per share, for the total gross cash consideration of HKD131,250,000 (equivalent to RMB118,828,000).

35. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity of the Group.

(a) Capital reserve

Capital reserve represented the difference between the aggregate of the paid-in share capital of the subsidiaries registered in the PRC.

(b) Statutory surplus reserve

In accordance with the PRC Company Law, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Reserves of the Company

	Share premium	**Capital reserve**	**Foreign currency translation reserve**	**Retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	24,405	1,274	(10,409)	15,270
Total comprehensive loss for the year	–	–	(106)	(10,546)	(10,652)
At 31 December 2023 and 1 January 2024	**–**	**24,405**	**1,168**	**(20,955)**	**4,618**
Total comprehensive income for the year	**–**	**–**	**–**	**3,160**	**3,160**
Issuance of shares upon listing on the Hong Kong Stock Exchange	**118,819**	**–**	**–**	**–**	**118,819**
Capitalisation of listing expenses	**(18,955)**	**–**	**–**	**–**	**(18,955)**
Dividend paid	**–**	**–**	**–**	**(20,000)**	**(20,000)**
At 31 December 2024	**99,864**	**24,405**	**1,168**	**(37,795)**	**87,642**

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	78,600	–
Changes in cash flows		
— Borrowing raised	122,854	–
— Repayment of borrowings	(79,618)	–
— Repayment of lease liabilities	–	(2,933)
— Interest paid	(5,716)	(205)
Non-cash changes		
— New lease entered	–	7,341
— Interest charged	5,716	205
At 31 December 2023 and 1 January 2024	**121,836**	**4,408**
Changes in cash flows		
— Borrowing raised	**135,358**	**–**
— Repayment of borrowings	**(152,036)**	**–**
— Repayment of lease liabilities	**–**	**(2,723)**
— Lease early termination	**–**	**(2,143)**
— Interest paid	**(5,886)**	**(301)**
Non-cash changes		
— New lease entered	**–**	**9,437**
— Interest charged	**5,886**	**301**
At 31 December 2024	**105,158**	**8,979**

37. CONTINGENT LIABILITIES

As at 31 December 2024, the Group and the Company did not have any significant contingent liabilities.

38. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year:

Name of related parties	Relationship with the Company
Mr. Lu Bo	The ultimate controlling shareholder
Ms. Lu Xiaojing	The ultimate controlling shareholder

(b) Related party balances

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-Trade nature		
Amount due from controlling shareholders		
Mr. Lu Bo	–	4,978
Ms. Lu Xiaojing	–	4,869
	–	9,847

(c) Related party transactions

During the year, the Group entered into the following transaction with its related parties.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Lease payment	–	200

(d) Compensation of key management personnel of the Group:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Further details of directors' and supervisors' emoluments are included in note 11 to the consolidated financial statements.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current assets		
Investment in a subsidiary	**47,881**	19,128
Current assets		
Amount due from subsidiaries	**2,605**	821
Prepayments, other receivables and other assets	**69**	297
Financial assets at fair value through profit or loss	**9,350**	–
Cash and bank balances	**44,348**	182
	56,372	1,300
Current liabilities		
Amount due to subsidiaries	**15,205**	15,490
Accruals and other payables	**1,370**	320
	16,575	15,810
Net current assets/(liabilities)	**39,797**	(14,510)
NET ASSETS	**87,678**	4,618
Equity		
Share capital	**36**	–
Reserves	**87,642**	4,618
	87,678	4,618

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2024 are as belows:

Name of subsidiaries	Place and date of incorporation/ registration and operation	Issued and paid up capital	Percentage of equity and voting power attributable to the Group		Principal activities
			2024	2023	
Direct interests:					
Refine Development	British Virgin Islands 18 February 2020	USD1	**100%**	100%	Investment holding
Indirect interests:					
Flame Petro-chemical Engineering International Limited	Samoa 22 August 2005	USD20,000,000/ 4,000,000	**100%**	100%	Investment holding
Ruisheng Grand Development	Hong Kong 6 March 2020	HKD10,000	**100%**	100%	Investment holding
Burner Expert Inc.	Canada 10 June 2020	CAD10	**100%**	100%	Investment holding
Ruicheng Environmental Engineering (Huangshan) Co., Ltd (瑞晟環境工程(黃山)有限公司) (Note)	PRC/Mainland China 24 June 2020	USD3,000,000	**100%**	100%	Investment holding
Luoyang Ruichang Environmental Engineering Co., Ltd. ("洛陽瑞昌環境工程有限公司") (Note)	People's Republic of China/Mainland China 25 January 1994	RMB128,820,000	**100%**	100%	Design and sales of petroleum refinery and petrochemical equipment
Luoyang Ruiqieer Petro-chemical Equipment Co., Ltd. ("洛陽瑞切爾石化設備有限公司") (Note)	People's Republic of China/Mainland China 31 December 2005	RMB4,500,000	**100%**	100%	Manufacture of industrial products
Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd. ("瑞切爾石化工程(上海)有限公司")	People's Republic of China/Mainland China 12 December 2002	RMB100,000,000/ 28,772,894	**100%**	100%	Sale of petro-chemical equipment
Ruijing (Jiangsu) Environmental Engineering Co., Ltd. ("瑞境(江蘇)環境工程有限公司")	People's Republic of China/Mainland China 22 May 2024	RMB8,000,000	**100%**	N/A	Manufacture of industrial products
Shanghai Ruining Hanleng Energy Technology Co., Ltd. ("上海瑞寧瀚冷能源科技有限公司")	People's Republic of China/Mainland China 9 April 2024	RMB3,330,000/ 999,000	**69.97%**	N/A	Technology R&D, technology consulting service

Note: These entities are registered as wholly-foreign-owned enterprises under PRC law.

41. EVENTS AFTER THE REPORTING PERIODS

On 5 February 2025, the extraordinary general meeting of the Company approved the major transaction in relation to formation of a joint venture company in Huangshan, China. The Group will hold 80% of its registered capital, and the Group is expected to have a total capital commitment of RMB120 million pursuant to the joint venture agreement entered into on 9 December 2024. The Group will finance the capital commitment from its internal resources and the formation of the joint venture company will not be expected to have any material effect on the assets, liabilities and earnings of the Company.

42. CAPITAL COMMITMENT

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Property and equipment		
— Contracted but not provided for	**11,194**	–

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2025.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out below:

	For the year ended 31 December			
	2021	2022	2023	**2024**
Results	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	248,044	419,073	544,129	**444,188**
Gross Profit	70,898	133,016	191,548	**142,974**
Profit before taxation	17,643	44,100	67,480	**14,868**
Profit for the year	13,246	36,533	55,211	**10,329**
Profit/(loss) for the year attributable to:				
Owners of the Company	13,423	36,533	55,211	**10,329**
Non-controlling interests	(177)	–	–	**–**
	13,246	36,533	55,211	**10,329**

	As at 31 December			
	2021	2022	2023	**2024**
Financial Position	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	421,831	592,523	695,637	**726,950**
Total liabilities	215,945	352,033	400,482	**338,604**
Total equity	205,886	240,490	295,155	**338,346**
Equity attributable to:				
Owners of the Company	205,886	240,490	295,155	**338,046**
Non-controlling interests	–	–	–	**300**