Ruichang

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

GLOBAL OFFERING

Sole Sponsor

第一上海 FIRST SHANGHAI GROUP

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

第一上海 FIRST SHANGHAI GROUP

VICTORY SECURITIES 勝利證券

Joint Bookrunners and Joint Lead Managers

CITIC SECURITIES

申萬宏源香港 SHENWAN HONGYUAN

中州國際 CENTRAL CHINA INTERNATIONAL

CMS 招商证券

光大證券 EVERBRIGHT SECURITIES | 國際 INTERNATIONAL

山證國際 SHANXI SECURITIES INTERNATIONAL

安信國際 ESSENCE INTERNATIONAL

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

老虎證券

富強證券 FORTUNE (HK) SECURITIES

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**125,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**12,500,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**112,500,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$1.39 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full upon application in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.00001 per Share**
Stock code	:	**1334**

Sole Sponsor

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第一上海 FIRST SHANGHAI GROUP

VICTORY SECURITIES 勝利證券

Joint Bookrunners and Joint Lead Managers

CITIC SECURITIES　申萬宏源香港 SHENWAN HONGYUAN　中州國際 CENTRAL CHINA INTERNATIONAL　CMS 招商证券　光大證券國際 EVERBRIGHT SECURITIES INTERNATIONAL

山證國際 SHANXI SECURITIES INTERNATIONAL　安信國際 ESSENCE INTERNATIONAL　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED　老虎證券　富強證券 FORTUNE (HK) SECURITIES

建銀國际 CCB International　ZTSC 中泰國際　金聯證券 Goldlink Securities　TradeGo Markets　FOSUN INTL SECURITIES　民銀資本　富途證券　浦銀國際 SPDB INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Sponsor-Overall Coordinator (acting for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on Monday, 8 July 2024. The Offer Price will be not more than HK$1.39 per Offer Share and is currently expected to be not less than HK$1.05 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.39 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is lower than HK$1.05.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the Offer Price range will be published on the website of our Company at **www.ruichang.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 12:00 noon on Monday, 8 July 2024, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

Attention

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

The prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.ruichang.com.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

28 June 2024

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at ***www.hkexnews.hk*** *under the "HKEXnews > New Listings > New Listing Information" section, and our website at* ***www.ruichang.com.cn****. If you require a printed copy of this prospectus, you may download and print from the website addresses above.*

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	www.eipo.com.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, 28 June 2024 to 11:30 am on Friday, 5 July 2024 (Hong Kong time). The latest time for completing full payment of application monies will be 12:00 noon on Friday, 5 July 2024 (Hong Kong time).
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 2,500 Hong Kong Offer Shares and in one of the number set out in the table below.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*
2,500	3,510.05	40,000	56,160.72	500,000	702,009.08	2,500,000	3,510,045.38
5,000	7,020.09	45,000	63,180.81	600,000	842,410.89	2,750,000	3,861,049.91
7,500	10,530.14	50,000	70,200.91	700,000	982,812.70	3,000,000	4,212,054.46
10,000	14,040.19	60,000	84,241.09	800,000	1,123,214.52	3,250,000	4,563,058.99
12,500	17,550.23	70,000	98,281.28	900,000	1,263,616.34	3,500,000	4,914,063.53
15,000	21,060.27	80,000	112,321.45	1,000,000	1,404,018.16	3,750,000	5,265,068.07
17,500	24,570.32	90,000	126,361.64	1,250,000	1,755,022.69	4,000,000	5,616,072.60
20,000	28,080.36	100,000	140,401.81	1,500,000	2,106,027.23	4,500,000	6,318,081.68
25,000	35,100.45	200,000	280,803.64	1,750,000	2,457,031.77	5,000,000	7,020,090.76
30,000	42,120.55	300,000	421,205.45	2,000,000	2,808,036.30	5,500,000	7,722,099.83
35,000	49,140.63	400,000	561,607.25	2,250,000	3,159,040.83	6,250,000(1)	8,775,113.43

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **White Form eIPO** Service Provider (for applications made through the application channel of the **White Form eIPO** Service Provider) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of our Company at ***www.ruichang.com.cn*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences. . . . . 9:00 a.m. on Friday, 28 June 2024

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Friday, 5 July 2024

Application lists of the Hong Kong Public Offering open[3]. . . . . 11:45 a.m. on Friday, 5 July 2024

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Friday, 5 July 2024

Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and giving **electronic application instructions** to HKSCC . . . . 12:00 noon on Friday, 5 July 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit an EIPO application on your behalf through HKSCC's FINI system, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3]. . . . . 12:00 noon on Friday, 5 July 2024

Expected Price Determination Date[5]. . . . . Monday, 8 July 2024

Announcement of:

- the Final Offer Price;
- the level of indications of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

is expected to be published (a) on the website of the Stock Exchange at **www.hkexnews.hk** and (b) our website at **www.ruichang.com.cn** at or before . . . . 11:00 p.m. on Tuesday, 9 July 2024

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at **www.ruichang.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares — B. Publication of Results" in this prospectus) at or before .... 11:00 p.m. on Tuesday, 9 July 2024

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from .... 11:00 p.m. on Tuesday, 9 July 2024 to 12:00 midnight on Monday, 15 July 2024

The allocation results telephone enquiry by calling +852 2862 8555 between .... 9:00 a.m. and 6:00 p.m. on Wednesday, 10 July 2024, Thursday, 11 July 2024, Friday, 12 July 2024 and Monday, 15 July 2024

For those applying through **HKSCC EIPO** channel, you may check with your broker or custodian from .... 6:00 p.m. on Monday, 8 July 2024

Despatch of Share certificates or deposit of the Share certificates in to CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[(6)–(8)] .... Tuesday, 9 July 2024

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Hong Kong Public Offering on or before [(7)–(10)] .... Wednesday, 10 July 2024

Dealings in the Shares on the Stock Exchange expected to commence at .... 9:00 a.m. on Wednesday, 10 July 2024

The application for the Hong Kong Offer Shares will commence on Friday, 28 June 2024 through Friday, 5 July 2024, being longer than normal market practice of three and a half days. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 10 July 2024.

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 July 2024, the application lists will not open and close on that day. Please refer to "How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements" of this prospectus for further details. If the application lists do not open and close on Friday, 5 July 2024 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the "Expected Timetable", we will make an announcement in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — A. Applications for Hong Kong Offer Shares — 2. Application Channels" of this prospectus.

(5) We expect to determine the Offer Price by agreement with the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on Monday, 8 July 2024. If, for any reason, the Offer Price is not agreed between the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and us by 12:00 noon on Monday, 8 July 2024, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) Share certificates will only become valid evidence of title on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

(7) Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

(8) Uncollected Share certificates (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant application instructions. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus.

(9) White Form e-Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$1.39 per Offer Share. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK$1.39 per Offer Share, applicants must pay the maximum Offer Price of HK$1.39 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. If you apply through the **White Form eIPO** services by paying the application monies through a single bank account, you may have White Form e-Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **White Form eIPO** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your

application instructions to the designated website **(www.eipo.com.hk)** by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant provided by you. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

(10) Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed ''Structure and Conditions of the Global Offering'' and ''How to Apply for Hong Kong Offer Shares'', respectively.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a petroleum refinery and petrochemical equipment manufacturer based in Henan Province, the PRC. Our products are customised to meet customers' specifications and requirements, on a contract basis in which they are divided into four product categories, namely (i) sulphur recovery unit ("**SRU**") and volatile organic compounds ("**VOCs**") incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers, including their related parts and components, to our downstream customers in the PRC. We also provide installation services for the equipment manufactured by us and/or ancillary facilities such as electrical erection work and mechanical erection work to our customers during the Track Record Period.

The petroleum refinery and petrochemical equipment industry is fragmented with over a hundred types of petroleum refinery and petrochemical equipment and each of the product categories represented a relatively small subset of the overall petroleum refinery and petrochemical equipment industry. Our Group has accounted for approximately 0.08% market share in the overall petroleum refinery and petrochemical equipment industry in the PRC in terms of total revenue in 2023. We were the third largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 7.6% in terms of revenue in 2023; we were also the second largest SRU and VOCs incineration equipment manufacturers in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 3.4% in terms of revenue in 2023.

Our customers mainly comprised market participants in the petroleum refinery and petrochemical industries in the PRC, which can be further classified into owners of production facilities; third-party contractors; equipment manufacturers and others. Established in 1994, we have forged and maintained stable business relationships with many industry-renowned customers in the PRC, which included subsidiaries and branches of three of the largest petroleum refinery and petrochemical groups in the PRC; and one of the largest EPC (engineering, procurement and construction) contractors in this industry in the PRC. The business relationship between our Group and our five largest customers during the Track Record Period has ranged from two to 29 years.

The following table sets out a breakdown of revenue, gross profit and gross profit margin by business activities for the Track Record Period:

	Year ended 31 December								
	2021			2022			2023		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Manufacturing and sale of equipment									
SRU and VOCs incineration equipment	101,719	24,578	24.2	72,854	22,782	31.3	77,218	24,371	31.6
Catalytic cracking equipment	63,273	18,924	29.9	251,625	79,921	31.8	319,266	104,818	32.8
Process burners	29,971	15,778	52.6	45,046	15,377	34.1	114,264	53,966	47.2
Heat exchangers	50,832	11,868	23.3	45,767	14,881	32.5	33,381	8,393	25.1
Subtotal	245,795	71,148	28.9	415,292	132,961	32.0	544,129	191,548	35.2
Installation services	2,249	(250)	(11)	3,781	55	1.5	—	—	—
Total	248,044	70,898	28.6	419,073	133,016	31.7	544,129	191,548	35.2

We owned two production facilities in Luoyang city, Henan province, the PRC, with a total gross floor area of approximately 20,807.4 sq.m., one of which is responsible for the production of SRU and VOCs incineration equipment and catalytic cracking equipment, and the other one is responsible for the production of process burners and heat exchangers. As at the Latest Practicable Date, our production facilities are equipped with our major production machinery and equipment, including but not limited to lathe, welding machine, rolling machine, lifting machine, cutting machine, flaw detector and press machine. For the year ended 31 December 2023, the utilisation rates of our two self-owned production facilities were approximately 100.9% and 70.1%, respectively. For further details of our production facilities and utilisation rates, please refer to sections headed "Business — Production Facilities" and "Business — Properties" in this prospectus. In order to capture the growing market demand for refinery and petrochemical equipment from overseas customers, we leased a production facility with gross floor area of 7,400 sq.m. in Taizhou city, Jiangsu Province, the PRC on 1 June 2023, which our Directors consider could enable us to enjoy convenient transportation advantage for a production facility near the coastal ports.

During the Track Record Period and up to the Latest Practicable Date, our principal market has been the PRC. Internationally, we have also established overseas presences in Hong Kong, Canada and Brazil with a view to expanding our market presence. During the Track Record Period, our revenue was substantially generated from contracts with customers located in the PRC, while our overseas sales offices did not have substantial operational activities.

For the years ended 31 December 2021, 2022 and 2023, our revenue was approximately RMB248.0 million, RMB419.1 million and RMB544.1 million, respectively. Our net profit for the same period was approximately RMB13.2 million, RMB36.5 million and RMB55.2 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are largely attributable to the following competitive strengths:

- Leveraging our years of experience, we have accumulated a wealth of industry knowhow
- We have established and maintained strong and stable business relationships with our major customers
- We possess strong research and development and design capabilities
- We have an experienced management team

BUSINESS STRATEGIES

We plan to implement the following strategies to leverage our competitive strengths to capture the growing market demand and solidify our market position:

- Increase our production capacity and capabilities to expand our scale of operation
- Further strengthen our design and research and development capabilities
- Expand our business presence in overseas markets

OUR CUSTOMERS

The table below sets out the breakdown of revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2021		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Owners of production facilities	169,053	68.2	384,300	91.7	480,823	88.4
Third-party contractors	40,146	16.2	30,117	7.2	46,753	8.6
Equipment manufacturers	34,713	14.0	3,762	0.9	16,224	3.0
Others[(1)]	4,132	1.6	894	0.2	329	—
	248,044	100.0	419,073	100.0	544,129	100.0

Note:

(1) Others mainly consist of sale of equipment to trading companies and a research centre during the Track Record Period, which our Directors consider represented an insignificant part of our total revenue.

We have established stable and long-term business relationships with our major customers. For the years ended 31 December 2021, 2022 and 2023, revenue from our five largest customers in each respective year during the Track Record Period amounted to approximately RMB116.4 million, RMB318.0 million and RMB400.3 million, representing approximately 46.9%, 75.9% and 73.6% of our total revenue, respectively, among which revenue from our largest customer in each respective year during the Track Record Period, amounted to approximately RMB51.7 million, RMB253.4 million and RMB191.7 million, representing approximately 20.8%, 60.5% and 35.2% of our total revenue, respectively. For details of our customers, please refer to section headed "Business — Our Customers" in this prospectus. For relevant risks of our concentration of customers during the Track Record Period, please refer to section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We have a concentration of customers during the Track Record Period, which may cause our business to be materially and adversely affected" in this prospectus.

OUR SUPPLIERS AND PROCUREMENT

The principal materials procured by us are steel materials such as steel plates and steel pipes, and components such as fire resistant materials, electrical parts, water-sealed tanks, converters and reactors. We purchase certain materials and instruments from designated suppliers located outside the PRC under our customers' requests, other than that, we purchase most of our materials and components from local suppliers located within the PRC. We generally engage third parties for transportation, installation and consulting services for conducting site visits, technical study and cost estimation study in preparation of tender documents.

During the Track Record Period, the fluctuation of our gross profit margin generally followed the fluctuation in steel prices in the PRC as steel is the major material of our equipment and components. The price index of overall steel plate in China fluctuated from 2016 to 2022, which was of 123.0 in January 2021 and reached its highest in September 2021 to 157.7 and decreased to 113.3 in December 2022. We recorded an improvement of our gross profit margin for 2022 when the steel price decreased during 2022 as compared to 2021. The price index of overall steel plate in China has fluctuated with a downward trend during the year ended 31 December 2022 and maintained at a relatively stable level for the year ended 31 December 2023. Hence, we recorded an improvement of our overall gross profit margin for the year ended 31 December 2023 as compared to that of 2022. For details of the fluctuation of price index of overall steel plate in China during the Track Record Period, please refer to section headed "Industry Overview — Major Cost Analysis of Petroleum Refinery and Petrochemical Equipment Market — Steel materials" in this prospectus. For relevant risk of fluctuation of steel price, please refer to section headed "Risk Factors — Risks Relating to Our Business and Our Industry — 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" in this prospectus.

We maintain a list of qualified suppliers, including materials and components suppliers and service suppliers, and have in place a set of selection criteria for suppliers including various factors such as quality of work, pricing, reputation in the industry, their qualification and financial position and whether they can complete the work within the expected timeframe as specified by us.

We have established stable and long-term business relationships with our major suppliers. For the years ended 31 December 2021, 2022 and 2023, purchases from our five largest suppliers in each respective year during the Track Record Period amounted to approximately RMB40.9 million, RMB53.5 million and RMB73.6 million, representing approximately 24.0%, 21.0% and 23.8% of our total purchase, respectively, among which purchases from our largest supplier in each respective year during the Track Record Period amounted to approximately RMB10.6 million, RMB14.9 million and RMB22.2 million, representing approximately 6.2%, 5.8% and 7.2% of our total purchase, respectively. For details of our suppliers, please refer to section headed "Business — Our Suppliers" in this prospectus.

SALES AND MARKETING AND PRICING POLICY

During the Track Record Period and up to the Latest Practicable Date, we identify potential business opportunities mainly through tendering or quotation and direct negotiation with customers. In order to maintain good relationships with our customers, we may also schedule visits with our customers based on the communication and arrangements with individual customers. We determine our pricing on a case-by-case basis by adopting a cost-plus pricing model, where we determine the price of our equipment by taking into account various factors such as the cost of materials and components, overhead, labour costs, transportation costs, technical requirement, customer relationships, competitive landscape, production schedule, contract sum, and our business strategies adopted from time to time.

MAJOR COST COMPONENTS

During the Track Record Period, our cost of sales comprises (i) materials and components used; (ii) outsourcing service fees; (iii) direct labour costs; (iv) taxes and levies; (v) royalty fee; and (vi) manufacturing overhead which mainly included electricity and fuel, repair and maintenance, depreciation of property, plant and equipment related to our productions, production safety cost and others. Our cost of sales amounted to approximately RMB177.1 million, RMB286.1 million and RMB352.6 million for the years ended 31 December 2021, 2022 and 2023, respectively. The fluctuation in our cost of sales during the Track Record Period was generally in line with our fluctuation in revenue for the same period. Please refer to "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Cost of sales" in this prospectus for further details.

MARKET COMPETITION

The PRC market of petroleum refinery and petrochemical equipment is fragmented. In 2023, there were over 40,000 petroleum refinery and petrochemical equipment manufacturers in China's petroleum and petrochemical equipment markets. There were over a hundred types of petroleum refinery and petrochemical equipment and each of the product categories represented a relatively small subset of the overall petroleum refinery and petrochemical equipment industry.

The total market value of overall petroleum refinery and petrochemical equipment market in the PRC was approximately RMB715.2 billion in 2023. In 2023, our total revenue recorded approximately RMB544.1 million. As such, based on our revenue reported in 2023, we have accounted for approximately 0.08% market share in this industry in 2023. Our Group was the third largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 7.6% in terms of revenue in 2023; we were also the second largest SRU and VOCs equipment manufacturers in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 3.4% in terms of revenue in 2023. Based on our past performance and the fact that we are one of the few equipment manufacturers in the industry that possess both design engineering and manufacturing capabilities in China's petroleum refinery and petrochemical equipment industry, we believe we are one of the key market players in the PRC petroleum refinery and petrochemical equipment industry with a focus in the provision of SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers; and we also set certain national standards and codes in the industry.

Please refer to section headed "Industry Overview — Competitive Landscape of Petroleum Refinery and Petrochemical Equipment Industry" in this prospectus for more details.

PRINCIPAL RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in section headed ''Risk Factors'' in this prospectus. You should read that section in its entirety before you decide to invest in the Offer Shares. Some of the major risks we face include:

- 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. Our negative operating cash flow may also expose us to certain liquidity risk;

- 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.

KEY FINANCIAL INFORMATION

The tables below set forth the selected financial and operating data from our consolidated financial information for the years indicated below. For more details on the financial information, see section headed ''Financial Information'' and the Accountants' Report in Appendix I to this prospectus.

Selected consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	248,044	419,073	544,129
Cost of sales	(177,146)	(286,057)	(352,581)
Gross profit	70,898	133,016	191,548
Other income and gains, net	8,577	1,824	4,355
Profit before tax	17,643	44,100	67,480
Profit for the year	13,246	36,533	55,211
Profit/(loss) for the year attributable to:			
—Owners of the Company	13,423	36,533	55,211
—Non-controlling interests	(177)	—	—

Non-HKFRS measure

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented adjusted profit (a non-HKFRS measure) and adjusted net profit margin (a non-HKFRS measure) as additional financial measures which are not required by, or presented in accordance with HKFRS. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in understanding and evaluating our operating performance from period to period. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies, and therefore, they may not be comparable to similar measures presented by other companies.

The following table sets forth the adjusted profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) in each respective year during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	13,246	36,533	55,211
Add: Listing expenses[(1)]	5,076	9,367	12,632
Adjusted profit for the year (non-HKFRS measure)[(2)]	18,322	45,900	67,843
Adjusted net profit margin for the year (non-HKFRS measure)[(3)]	7.4%	11.0%	12.5%

Notes:

(1) Our Listing expenses are arising from activities relating to the Global Offering.

(2) We calculated the adjusted profit (non-HKFRS measure) for the year by adding back the Listing expenses to the profit for the year as presented in accordance with HKFRS.

(3) We calculated the adjusted net profit margin (non-HKFRS measure) by dividing adjusted profit (non-HKFRS measure) for the year by revenue for the year and multiplied by 100%.

Revenue

Our total revenue increased to approximately RMB419.1 million for the year ended 31 December 2022, representing a growth of approximately RMB171.1 million or 69.0% as compared to that of 2021, which was attributable to increase of revenue from manufacturing and sale of equipment by approximately RMB169.5 million and the increase in revenue from installation services by approximately RMB1.6 million. Such increase was mainly due to the increase in revenue of sales of catalytic cracking equipment and process burners by approximately RMB188.3 million and RMB15.0 million, respectively as a result of increased demand for our products from our customers, and partially offset by the decrease in revenue of sales of SRU and VOCs incineration equipment by approximately RMB28.9 million, during the year ended 31 December 2022. Our significant increase in revenue from sales of catalytic cracking equipment was derived from increased sale to our largest customer for the years ended 31 December 2021 and 2022, mainly attributable to a high demand for our equipment and it was consistent to their significant capital expenditures for their refinery segment business, mainly related to their constructions of Anqing and Yangzi refining upgrading projects; while the decrease in revenue from sales of SRU and VOCs incineration equipment was mainly attributable to the decreased sales to certain customers during the year ended 31 December 2022, as majority of SRU and VOCs incineration equipment contracts with relatively higher contract sum obtained from those customers had been completed during the year ended 31 December 2021.

We recorded further increase of revenue to approximately RMB544.1 million for the year ended 31 December 2023, representing a growth of approximately RMB125.0 million or 29.8% as compared to that of 2022. Such increase was mainly due to increase in revenue from manufacturing and sale of equipment by approximately RMB128.8 million; and partially offset by the decrease in revenue from installation services by approximately RMB3.8 million during the year ended 31 December 2023. Our increase in revenue from manufacturing and sale of equipment was a combining result of increase in revenue from sales of catalytic cracking equipment and process burners by approximately RMB67.6 million and RMB69.3 million, respectively, and partially offset by the decrease in revenue from sales of heat exchangers by approximately RMB12.4 million, during the year ended 31 December 2023.

Increase in revenue from sales of catalytic cracking equipment and process burners was mainly attributable to increased demand and overall increased sales to our five largest customers for the year ended 31 December 2023. Leveraging the growth of market size of catalytic cracking equipment and process burners used in PRC petroleum refinery and petrochemical operation, our revenue derived from five largest customers of 2023 was approximately RMB400.3 million for the year ended 31 December 2023, representing an increase of approximately RMB82.3 million or 25.9% of revenue derived from five largest customers of 2022 for the year ended 31 December 2022. Sales of catalytic cracking equipment and process burners has accounted for approximately 79.7% of our total revenue for the year ended 31 December 2023. Our decrease in revenue from sales of heat exchangers was mainly due to the completion of certain significant contracts related to sales of heat exchangers in 2022.

Other income and gains, net

Our other income and gains, net, of approximately RMB8.6 million, RMB1.8 million and RMB4.4 million, respectively for the years ended 31 December 2021, 2022 and 2023, mainly consisted of government grants, litigation compensation, rental income, net, interest income, gain on disposal of wealth investment products and others. For details of our other income and gains, net, please refer to section headed "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other income and gains, net".

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business activities for the Track Record Period:

	Year ended 31 December					
	2021		**2022**		**2023**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing and sale of equipment						
SRU and VOCs incineration equipment	24,578	24.2	22,782	31.3	24,371	31.6
Catalytic cracking equipment	18,924	29.9	79,921	31.8	104,818	32.8
Process burners	15,778	52.6	15,377	34.1	53,966	47.2
Heat exchangers	11,868	23.3	14,881	32.5	8,393	25.1
Subtotal	71,148	28.9	132,961	32.0	191,548	35.2
Installation services	(250)	(11.1)	55	1.5	—	—
Total/overall	70,898	28.6	133,016	31.7	191,548	35.2

Our gross profit increased by approximately RMB62.1 million from approximately RMB70.9 million for the year ended 31 December 2021 to approximately RMB133.0 million for the year ended 31 December 2022, which largely aligned our growth in revenue and resulted from the gradual decrease in steel price from October 2021 due to the high inventory levels and insufficient demand in PRC according to the F&S Report. Our gross profit further increased to approximately RMB191.5 million for the year ended 31 December 2023, representing an increase of approximately RMB58.5 million or 44.0%, which was mainly attributed to (i) our revenue growth for manufacturing and sale of equipment by approximately RMB128.8 million or 31.0% and (ii) a relatively lower cost of materials and components used as a result of the continuous decrease of steel price during the year ended 31 December 2023.

Our net profit increased by approximately RMB23.3 million from approximately RMB13.2 million in 2021 to approximately RMB36.5 million in 2022, mainly due to increase in our revenue and gross profit by approximately RMB171.1 million and RMB62.1 million, respectively, which was partially offset by (i) the increase of selling expenses, administrative expenses and research and development expenses of an aggregate amount of approximately RMB16.9 million due to business expansion; (ii) the decrease in other income and gains, net by approximately RMB6.8 million as a result of decrease in one-off government grants and litigation compensation received; (iii) the increase in Listing expenses of approximately RMB4.3 million; and (iv) the increase in income tax expense of approximately RMB3.2 million which reflected our business growth that resulted in an increase of our profit before tax.

Our net profit increased by approximately RMB18.7 million to approximately RMB55.2 million for the year ended 31 December 2023, was a combined result of (i) our increase in gross profit of approximately RMB58.5 million; (ii) overall increase in our selling, administrative and research and development expenses, mainly attributable to the increase in staff cost, office expenses and professional and consulting fee; (iii) increase of Listing expenses of approximately RMB3.3 million; (iv) increase of finance costs and impairment of financial assets and contract assets of approximately RMB2.2 million and RMB2.0 million, respectively; and (v) increase in income tax expenses of approximately RMB4.7 million.

For a more detailed discussion, see ''Financial Information'' in this prospectus.

Selected consolidated statements of financial positions

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	130,869	123,585	127,548
Total current assets	290,962	468,938	568,089
Total non-current liabilities	33,000	24,000	41,404
Total current liabilities	182,945	328,033	359,078
Net current assets	108,017	140,905	209,011
Total equity	205,886	240,490	295,155

Our net current assets increased by approximately RMB32.9 million from approximately RMB108.0 million as at 31 December 2021 to approximately RMB140.9 million as at 31 December 2022, mainly attributable to (i) increase of approximately RMB149.6 million and RMB14.0 million in the balances of our trade and notes receivables and contract assets, respectively, as a result of our revenue growth during 2022; and (ii) increase of prepayments, other receivables and other assets of approximately RMB15.8 million, mainly attributable to increase in prepayment for purchase of materials and components and increase in balances with our Controlling Shareholders; and partially offset by the (i) increase of trade and notes payables and contract liabilities of approximately RMB20.2 million and RMB71.6 million, respectively; (ii) increase of accruals and other payables of approximately RMB26.5 million, mainly arising from the increase of other tax payables; and (iii) increase of current portion of bank and other borrowings of approximately RMB21.9 million.

Our net current asset increased by approximately RMB68.1 million to approximately RMB209.0 million as at 31 December 2023. Such increase is a combined effect of (i) increase in inventories of approximately RMB13.6 million; (ii) increase in prepayment, other receivables and other assets of approximately RMB15.7 million; (iii) increase in trade and note receivables of approximately RMB17.2 million; and (iv) increase in trade and note payables of approximately RMB22.6 million. In addition, the increase in current portions of bank and other borrowings and lease liabilities of approximately RMB30.2 million, in aggregate, was partially offset by the increase in cash and bank balance and pledged deposits of approximately RMB24.3 million and RMB15.6 million, respectively. Please refer to section headed "Financial Information — Net Current Assets" in this prospectus for more details.

Our Group's total equity increased by approximately RMB34.6 million to approximately RMB240.5 million as at 31 December 2022, which was mainly attributed by our net profit for the year ended 31 December 2022 of approximately RMB36.5 million and partially offset by change in fair value of financial assets at fair value through other comprehensive income net of tax of approximately RMB2.3 million. As at 31 December 2023, our total equity increased to approximately RMB295.2 million, which was mainly attributed by our net profit for the year ended 31 December 2023 of approximately RMB55.2 million.

Selected consolidated statements of cash flow

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(4,952)	1,032	6,405
Net cash (used in)/generated from investing activities	(29,274)	5,273	(14,076)
Net cash generated from financing activities	19,280	1,529	31,948
Net (decrease)/increase in cash and cash equivalents	(14,946)	7,834	24,277
Effect of changes in foreign exchange rate	(40)	384	3
Cash and cash equivalents at beginning of year	28,158	13,172	21,390
Cash and cash equivalents at end of year	13,172	21,390	45,670

Our Group recorded net cash used in operating activities of approximately RMB5.0 million for the year ended 31 December 2021, because our negative changes in our working capital and the payment of income tax had outweighed our operating profit before working capital changes. Our negative changes in working capital for the year ended 31 December 2021 was mainly attributable to the fluctuation of our inventories, contract assets and liabilities, trade and notes receivables and trade and notes payables.

For further details on our cash flows, please refer to section headed "Financial Information — Liquidity and Capital Resources — Cash flows."

Key financial ratios

	Year ended 31 December		
	2021	**2022**	**2023**
Return on equity	6.4%	15.2%	18.7%
Return on total assets	3.1%	6.2%	7.9%
Interest coverage	6.4 times	12.8 times	12.4 times
Gross profit margin	28.6%	31.7%	35.2%
Net profit margin	5.3%	8.7%	10.1%

	As at 31 December		
	2021	2022	2023
Current ratio	1.6 times	1.4 times	1.6 times
Quick ratio	1.3 times	1.3 times	1.4 times
Gearing ratio	31.9%	32.7%	42.8%
Net debt to equity ratio	25.5%	23.8%	27.3%

For the analysis of our key financial ratios, please refer to section headed "Financial Information — Key Financial Ratios" in this prospectus.

RESEARCH AND DEVELOPMENT

Our Directors believe that our established industry knowhow and research and development capabilities contribute significantly to our success in the industry. We have been participating in the preparation and drafting of national industry codes such as the "Testing and Measurements Codes of Burner Tubular Heater in Petrochemical Industry" (石油化工管式爐用燃燒器試驗檢測規程) and "Technical Specification for Burners of Tubular Heater in Petrochemical Industry" (石油化工管式爐燃燒器工程技術條件) and our research and development teams is led by Mr. Shao Song, our executive Director, Mr. Zhang Xian and Mr. Jin Xuli, our senior management team, who have more than 24 years of experience in the petroleum refinery and petrochemical equipment industry. As at the Latest Practicable Date, we (i) have collaborated with and established one testing and research centre with Honeywell China and one research and development centre with Huazhong University of Science and Technology, respectively; (ii) have had approximately eight senior engineers, 58 engineers and 10 assistant engineers; and (iii) have possessed (including co-owned) 219 registered patents which comprised of 163 utility patents, 53 invention patents and three design patents in the PRC, as well as four international patents.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited), held approximately 45.27% and 45.27% shareholdings of our Company, respectively. As such, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited) will each be entitled to exercise voting rights of approximately 33.95% of the total issued share capital of our Company upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) and are considered as our Controlling Shareholders upon Listing. Please refer to section headed "Relationship with our Controlling Shareholders" in this prospectus for further details.

PRE-IPO INVESTMENTS

We undertook Pre-IPO Investments in preparation for the Listing. Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment option is not exercise), the issued share capital of our Company is owned as to the Pre-IPO Investors, namely, Mr. Tang Yinsheng and Mr. Li Yijun by approximately 2.98% and 1.83%. Please refer to section headed "History, Reorganisation and Corporate Structure — Pre-IPO Investments" to this prospectus for further details.

BUSINESS ACTIVITIES WITH CUSTOMERS IN RELATION TO COUNTRIES/REGIONS SUBJECT TO INTERNATIONAL SANCTIONS EXPOSURE

Prior to our Track Record Period, we had revenue generated from sales within China of products to Chinese customers that were subsequently used by/resold to Sanction Persons in Iran, a Sanctioned Country (the "**Indirect Iran Sales**"). During the Track Record Period, we sold our products including process burners and SRU and VOCs incineration equipment directly and/or indirectly to four customers located in Russia who were operating in the engineering and manufacturing sectors of the Russian economy. The revenue generated from our sales to them was approximately RMB6.8 million, RMB0.2 million and RMB63.4 million, representing approximately 2.8%, 0.06% and 11.7% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. For details of our relevant sales to Iran and Russia, please refer to section headed "Business — Business Activities in Countries/Regions with International Sanctions Exposure" in this prospectus.

As advised by the International Sanctions Legal Adviser, Iran is subject to comprehensive U.S. economic sanctions; and Russia (excluding Crimea region) was not subject to a general and comprehensive export, import, financial or investment embargo under sanction-related laws or regulations of a Relevant Jurisdiction. Our International Sanctions Legal Adviser has advised us, that for purposes of the Chapter 4.4 of the Guide for New Listing Applicants, the U.S. may be a Relevant Jurisdiction with respect to certain activities of our Company, and our Indirect Iran Sales and our direct and indirect sales to customers in Russia (a) did not constitute Primary Sanctioned Activity under U.S. law; and (b) did include certain transactions that might potentially qualify as Secondary Sanctioned Activity under U.S. law, and the risks that our Company might become subject to secondary sanctions under U.S. law as a result of our Indirect Iran Sales alone and our direct and indirect sales to customers in Russia alone are determined to be low, and may be further mitigated by additional remedial measures. For analysis on our secondary sanctions risk exposure, please see "Business — Business Activities in Countries/Regions with International Sanctions Exposure — Analysis on secondary sanctions risk" in this prospectus.

In strict adherence to our internal control and risk management measures, our Group will not sell any of our products to Iran or Russia or any individuals, entities or countries which are subject to International Sanctions or located in Sanctioned Countries. To identify and monitor our exposure to risks associated with sanctions laws, we have implemented relevant internal control measures to protect the interests of our Group and our Shareholders. For details, please refer to section headed "Business — Business Activities in Countries/Regions with International Sanctions Exposure — Our internal control measures to minimise sanctions risk" in this prospectus.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations. During the Track Record Period, we were involved in certain non-compliance incidents in relation to the failure to make social insurance and housing provident fund contributions in full. Please refer to section headed "Business — Legal Proceedings" and "Business — Regulatory Compliance" for further details. Save as the above, our Directors confirm that our Group has been in compliance in all material aspect with the applicable laws and regulations, and was not involved in any other legal proceedings or disputes of material importance or subject to any material claims, damages or losses during the Track Record Period and up to the Latest Practicable Date.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$1.22, being the mid-point of the indicative Offer Price range of HK$1.05 and HK$1.39 per Share as stated in the prospectus, and that the Over-allotment Offer Option is not exercised, will be approximately HK$82.9 million (equivalent to approximately RMB76.1 million). We currently intend to apply the net proceeds from the Global Offering in the following manner:

- approximately HK$60.5 million (equivalent to approximately RMB55.5 million), representing approximately 73.0% of the net proceeds from the Global Offering, will be used to partially finance the construction of the New Production Facility to increase our production capacity and capabilities;
- approximately HK$14.5 million (equivalent to approximately RMB13.3 million), representing approximately 17.5% of the net proceeds from the Global Offering, will be used to further strengthen our design and research and development capabilities; and
- approximately HK$7.9 million (equivalent to approximately RMB7.3 million), representing approximately 9.5% of the net proceeds from the Global Offering will be used for our general working capital and general corporate purposes.

Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

OFFERING STATISTICS

	Base on an Offer Price of HK$1.05 per Share	**Base on an Offer Price of HK$1.39 per Share**
Market capitalisation of the Shares(1)	HK$525 million	HK$695 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$0.83	HK$0.91

Notes:

(1) The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue immediately following the completion of the Global Offering without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares expected to be in issue assuming the completion of the Global Offering on 31 December 2023 without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares. Please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details regarding the assumptions and the calculation basis used.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent does not take into account a dividend of RMB20 million paid by the Company before the Listing. Had the dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent and the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately RMB397,700,000 and HK$0.87, respectively (assuming an Offer Price of HK$1.39 per Share) and RMB361,048,000 and HK$0.79, respectively (assuming an Offer Price of HK$1.05 per Share).

LISTING EXPENSES

Assuming an Offer Price of HK$1.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.05 to HK$1.39 per Offer Share and the Over-allotment Option is not exercised, the total estimated Listing expenses in connection with the Global Offering will be approximately RMB63.9 million (equivalent to approximately HK$69.6 million), representing approximately 45.6% of the gross proceeds from the Global Offering, comprising (i) underwriting commission and discretionary incentive fee of approximately RMB8.4 million (equivalent to approximately HK$9.2 million); and (ii) non-underwriting-related expenses of approximately RMB55.5 million (equivalent to approximately HK$60.4 million), which include fees paid and payable to legal advisers and the Reporting Accountants of approximately RMB30.1 million (equivalent to approximately HK$32.8 million; and other fees and expenses of approximately RMB25.4 million (equivalent to approximately HK$27.6 million). Such relatively higher percentage of Listing expenses is primarily due to the unexpected and prolonged preparation time before the submission of our Company's listing application as a result of COVID-19 pandemic, resulting in additional professional fees paid to the professional parties involved in our listing application as well as those outgoing professional parties. Our other fees and expenses of approximately RMB25.4 million mainly represent fees paid and payable to other professional parties involved in the preparation of our listing application, which include sponsorship fees of the Sole Sponsor, fees of industry research expert and internal control consultant, fees paid to the outgoing professional parties as mentioned above and financial advisers fees in relation to pre-IPO preparation.

Among the estimated Listing expenses, (i) approximately RMB20.6 million (equivalent to approximately HK$22.4 million) is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB43.3 million (equivalent to approximately HK$47.2 million) are/will be recognised as expenses in the profit or loss, of which approximately RMB0.8 million (equivalent to approximately HK$0.9 million), approximately RMB2.5 million (equivalent to approximately HK$2.7 million), approximately RMB5.1 million (equivalent to approximately HK$5.6 million), approximately RMB9.4 million (equivalent to approximately HK$10.2 million) and approximately RMB12.6 million (equivalent to approximately HK$13.7 million) have been recognised for the years ended 31 December 2019, 2020, 2021, 2022 and 2023, respectively, and the remaining amount of approximately RMB12.9 million (equivalent to approximately HK$14.1 million) will be recognised subsequent to the Track Record Period. Expenses in relation to the Listing are non-recurring in nature.

We expect to recognise approximately RMB12.9 million (equivalent to approximately HK$14.1 million) in the consolidated profit or loss subsequent to the Track Record Period. Our Directors would like to emphasise that the Listing expenses above are current estimates and are for reference only. The actual amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2024 is subject to adjustment based on audit and the changes in variables and assumptions and may differ from this estimate.

DIVIDENDS

For the year ended 31 December 2021, our Company declared dividends of approximately USD2.8 million (equivalent to approximately RMB19.3 million) to shareholders. All of such declared dividends have been fully paid as at the Latest Practicable Date. On 29 May 2024, our Company declared to distribute dividends in the total amount of RMB20.0 million to the shareholders in proportion of their shareholding. Dividend payment of approximately RMB9.3 million was settled by offsetting with the amounts due from our Controlling Shareholders as at 31 December 2023, according to the agreement between the parties. Our Directors confirmed that all such declared dividends will be fully settled upon Listing with internal resources.

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a general meeting. Our Directors may recommend a payment of dividends in the future after taking into account our 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 our constitutional documents, applicable laws and regulations and approval of our Shareholders. As our Company is a holding company, our ability to declare and pay dividends will depend on the receipt of sufficient funds from our 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 our Directors.

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

Given the limited impact of COVID-19 on our production and sales, our business and financial conditions have not been materially adversely affected as a result of the COVID-19. The overall financial impact caused by the outbreak of COVID-19 was more visible during the first half of 2020. However, since first quarter of the year is typically the low season of our production and sales and with the rapid resumption of sales and production since February 2020, the impact on our financial performance for the year of 2020 as a whole was not significant. We cannot guarantee that the outbreak of COVID-19 will not further escalate, which in turn may have a material adverse effect on our business operations. For more information, see "Risk Factors — Risks Relating to Our Business and Our Industry — The outbreak of COVID-19 and the uncertainty of the global economic conditions could have a material adverse impact on our financial condition and results of operations".

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Development in Our Business Operations and No Material Adverse Change

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our business model remained stable. As at the Latest Practicable Date, the aggregate contract value (exclusive of VAT) of our contract backlog was approximately RMB421.0 million.

Save as disclosed in "Listing expenses" in this section, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects of our Company or its subsidiaries since 31 December 2023, being the end of the reporting period set out in the Accountants' Report in Appendix I to this prospectus, and there has been no event since 31 December 2023 which would materially affect the information shown in Appendix I to the Prospectus.

Recent Regulatory Developments Relating to Overseas Listing

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. According to the Announcement relating to the Arrangement of Filing Management of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) issued on 17 February 2023 by the CSRC, (i) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements. We submitted a filing to the CSRC for application of the Listing and the Global Offering on 29 September 2023 and the CSRC published the notification on our completion of the required filing procedures on 25 January 2024.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Memorandum and Articles of Association"	our second amended and restated memorandum and articles of association, as conditionally adopted on 24 June 2024 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Burner Expert Inc."	Burner Expert Inc., a limited liability company incorporated in Canada on 10 June 2020 and a wholly-owned subsidiary of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which licenced banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"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
"Capitalisation Issue"	the issuance of 374,885,790 Shares to be made immediately before completion of the Listing upon the capitalisation of sums standing to the credit of the share premium account of the Company referred to in "Statutory and General Information — A. Further Information about our Group" of Appendix V to this prospectus
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China", "PRC" or the "People's Republic of China"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Circular 13"	Circular of Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知)
"Circular 37"	Circular on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Return Investment Conducted by Domestic Residents through Overseas Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the 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 on 6 February 2020
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in this context, refers to Mr. Lu Bo, Riches Development, Now Wealth Limited, One Ideal Limited, Ms. Lu Xiaojing, Richen Development, LXJ Limited and Lady Jing Limited, for further details of which, please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"COVID-19"	an infectious disease caused by the coronavirus (severe acute respiratory syndrome coronavirus), first reported in December 2019
"Director(s)"	the director(s) of our Company
"EIT"	the PRC Enterprise Income Tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the SCNPC on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Flame Petro-Chemical"	Flame Petro-chemical Engineering International Limited, an international company incorporated in Samoa on 22 August 2005 and a wholly-owned subsidiary of the Company
"Frost & Sullivan" or "F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research expert
"F&S Report"	the industry report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
"General Rules of HKSCC"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"GDP"	Gross domestic product
"GFA"	Gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group", "our Group", "we" or "us"	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)

"Guide for New Listing Applicants"	Guide for New Listing Applicants published by the Hong Kong Stock Exchange
"HKFRS(s)"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"HNTE"	High and New Technology Enterprise
"Honeywell China"	Honeywell (China) Co., Ltd (霍尼韋爾(中國)有限公司), a wholly-owned subsidiary of Honeywell International and an Independent Third Party
"Honeywell Integrated Technology (China) — Luoyang Branch"	Honeywell Integrated Technology (China) Co., Ltd. — Luoyang Branch, a wholly-owned subsidiary of Honeywell China and an Independent Third Party

"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars", "HK dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 12,500,000 Shares being initially offered for subscription at the Offer Price under the Hong Kong Public Offering, subject to reallocation, as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong, as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 27 June 2024, relating to the Hong Kong Public Offering, entered into by the Overall Coordinators, the Sole Sponsor, the Hong Kong Underwriters, our Company, Riches Development, Mr. Lu Bo, Richen Development and Ms. Lu Xiaojing, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" in this prospectus
"Indemnity Undertaking"	the indemnity undertakings dated 20 June 2024 and entered into by Mr. Lu Bo and Ms. Lu Xiaojing in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in "Statutory and General Information — Other Information — E. 1. Tax and Other Indemnity" in Appendix V to this prospectus

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates
"International Placing Shares"	the 112,500,000 Shares being initially offered by us for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to any adjustment or reallocation
"International Placing"	the conditional offering of the International Placing Shares by our Company at the Offer Price outside the United States to International Underwriters as set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Sanctions" or "International Sanctions Law"	all applicable laws and regulations, as amended and supplemented from time to time, related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, the United Nations or the government of Australia
"International Sanctions Legal Adviser"	DLA Piper Singapore Pte. Ltd.
"International Underwriters"	the underwriters of the International Placing who are expected to enter into the International Agreement to underwrite the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing, which is expected to be entered into by the Overall Coordinators, the Sole Sponsor, the International Underwriters, Our Company, Riches Development, Mr. Lu Bo, Richen Development and Ms. Lu Xiaojing on the Price Determination Date as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The International Placing"
"Jiangsu Ruijing"	Ruijing (Jiangsu) Environmental Engineering Co., Ltd. (瑞境(江蘇)環境工程有限公司), a limited liability company established in the PRC on 22 May 2024 and a wholly-owned subsidiary of our Company

"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Global Coordinators"	First Shanghai Securities Limited and Victory Securities Company Limited
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Latest Practicable Date"	21 June 2024, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, 10 July 2024 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Luoyang Ruichang"	Luoyang Ruichang Environmental Engineering Co., Ltd. (洛陽瑞昌環境工程有限公司) (previously known as Luoyang Ruichang Petrochemical Equipment Co., Ltd (洛陽瑞昌石油化工設備有限公司)), a limited liability company incorporated in the PRC on 25 January 1994 and a wholly-owned subsidiary of our Company
"Luoyang Richen"	Luoyang Richen Petro-chemical Equipment Co., Ltd. (洛陽瑞切爾石化設備有限公司) (previously known as Ruichang Petrochemical Engineering Technology (Luoyang) Co., Ltd. (瑞昌石化工程技術(洛陽)有限公司)), a limited liability company incorporated in the PRC on 31 December 2005 and a wholly-owned subsidiary of our Company
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on 24 June 2024 with effect from the Listing Date, as amended from time to time, a summary of which is set out in the Appendix V in the prospectus
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotations
"Non-competition Undertaking"	the non-competition undertaking dated 26 June 2024 entered into by Mr. Lu Bo and Ms. Lu Xiaojing in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in "Relationship with our Controlling Shareholders" in this prospectus
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OFAC"	the U.S. Department of Treasury's Office of Foreign Assets Control
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%)
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 18,750,000 (representing 15% of the Offer Shares being offered under the Global Offering) Shares at the Offer Price to cover over-allocations in the International Placing, if any, details of which are described in "Structure and Conditions of the Global Offering — The International Placing — Over-allotment Option"

"Overall Coordinators"	the overall coordinators as named in the section headed "Directors and Parties Involved in the Global Offering" in this prospectus
"PBOC"	People's Bank of China
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Jia Yuan Law Offices, our legal adviser as to PRC laws
"Pre-IPO Investment(s)"	the investments made by each of the Pre-IPO Investors, particulars of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this prospectus
"Pre-IPO Investor(s)"	the pre-IPO investors of our Company, being (i) Mr. Tang Yinsheng and (ii) Mr. Li Yijun
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on Monday, 8 July 2024 on which the Offer Price will be determined
"Primary Sanctioned Activity"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction (if applicable) or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
"Refine Development"	Refine Development Holdings Limited, BVI business company incorporated on 18 February 2020 and a wholly-owned subsidiary of the Company
"Regulation S"	Regulation S under the U.S. Securities Act

"Relevant Jurisdiction(s)"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any jurisdiction that is relevant to our Company and has sanctions-related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation
"Reorganisation"	the reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this prospectus
"Reporting Accountant"	ZHONGHUI ANDA CPA Limited
"Richen Development"	Richen Development Holdings Limited, our Controlling Shareholder and a BVI business company incorporated on 23 January 2020 and wholly-owned by Ms. Lu Xiaojing
"Riches Development"	Riches Development Holdings Limited, our Controlling Shareholder and a BVI business company incorporated on 23 January 2020 and wholly-owned by Mr. Lu Bo
"Risen Development"	Risen Development Holdings Limited, a BVI business company incorporated on 20 October 2020 and a Shareholder of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Ruisheng Grand Development"	Ruisheng Grand Development Limited, a company incorporated in Hong Kong with limited liability on 6 March 2020 and a wholly-owned subsidiary of the Company
"R&D"	our team who is responsible for research and development
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"Sanctioned Country" or "Sanctioned Countries"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, currently Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic and self-proclaimed Donetsk People's Republic regions
"Sanctioned Person"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Kingdom or Australia
"Sanctioned Target"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"SAT"	the State Taxation Administration of the PRC (中國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC (全國人民代表大會常務委員會)
"Secondary Sanctioned Activity"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means certain activity by our Company that may result in the imposition of sanctions by a Relevant Jurisdiction (including designation as a sanctioned target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
"Series A Preferred Shares"	the series A preferred shares in the capital of our Company with a nominal value of US$0.00001 each
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"Shanghai Ruiji"	Shanghai Ruiji Technology Development Co., Ltd (上海睿稷科技發展有限公司), a limited liability company established in the PRC on 27 September 2020 and the shareholder of Risen Development
"Shanghai Ruijiade"	Shanghai Ruijiade Chemical Technology Co., Ltd. (上海睿嘉德化工科技有限公司), a limited liability company established in the PRC on 28 October 2021 and a wholly-owned subsidiary of our Company
"Shanghai Ruining"	Shanghai Ruining Hanleng Energy Technology Co., Ltd. (上海瑞寧瀚冷能源科技有限公司), a limited liability company established in the PRC on 9 April 2024 and an indirect non-wholly owned subsidiary of our Company
"Shanghai Ruiqieer"	Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd. (瑞切爾石化工程(上海)有限公司) (previously known as Ruiqieer Petro-chemical Equipment (Shanghai) Co., Ltd. (瑞切爾石化設備(上海)有限公司)), a limited liability company established in the PRC on 12 December 2002 and a wholly-owned subsidiary of our Company
"Shanghai Ruisheng"	Ruisheng Environmental Engineering (Shanghai) Co., Ltd. (瑞盛環境工程(上海)有限公司), a limited liability company established in the PRC on 24 June 2020 and a wholly-owned subsidiary of our Company
"Share(s)" or "Ordinary Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Shares
"Sole Sponsor"	First Shanghai Capital Limited, a licenced corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities, being the Sole Sponsor of the Global Offering
"Sponsor-Overall Coordinator"	First Shanghai Securities Limited
"Stabilising Manager"	First Shanghai Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	for the three years ended 31 December 2021, 2022 and 2023
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. dollar", "USD" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"VAT"	the PRC value-added tax
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designed website of **White Form eIPO** Service Provider, **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

The English names of the PRC entities mentioned in this prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments and are for identification purpose only. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"ASME"	American Society of Mechanical Engineers
"boiler"	a common unit installed in an industrial plant which is used to generate steam
"catalyst"	a substance that improves the expected performance of a chemical reaction, for which it may remain unchanged
"catalytic cracking"	the process of breaking long-chain hydrocarbons into short-chain hydrocarbons by increasing the temperature and using catalysts, which is used in petroleum refining process to catalyse the procedures
"CDU"	means crude distillation unit
"clean energy"	energy that creates no emission or less emission than traditional energy sources such as crude oil and coal. Clean energy includes energy from renewable sources such as water, wind and the sun, and may include energy from natural gas or certain types of coal production and use
"CO"	means carbon monoxide
"coal chemical industry"	industry processes coal chemicals to produce gases, liquid and solids
"crude oil"	a naturally occurring flammable liquid consisting of a complex mixture of hydrocarbons of various molecular weights and other liquid organic compounds, which is used as the raw material for the production of oil and petrochemical products
"edulcoration"	process of removing acid or other impurities from a substance
"flue gas"	gas exiting to the atmosphere through a flue, which is a pipe or channel for conveying exhaust gases from a fireplace, oven, furnace, boiler or steam generator
"FCC equipment"	means a fluid catalytic cracking equipment which converts high molecular weight hydrocarbon fractions of petroleum to more valuable lower molecular weight hydrocarbon fractions such as gasoline, olefins and other products

"heat exchanger"	means the equipment which is used to transfer heat from process outputs at high temperature to another part of the process, which makes industrial processes more efficient by capturing and re-using heat energy
"incineration"	means a waste treatment process that involves the combustion of organic substances contained in waste materials
"incinerator"	means a furnace or apparatus used for burning waste materials
"kPa"	means kilopascal, a unit of pressure measurement and one kPa equals to 1,000 Pa
"mg/Nm^3"	means milligrams per cubic metre, a unit commonly used to measure gaseous pollutants
"MTO"	means methanol to olefin
"NOx"	means nitrogen oxide which is commonly produced from the reaction among nitrogen and oxygen during combustion of fuels
"Pa"	means pascal, a unit of pressure measurement commonly used in pressure gauge
"PM2.5"	means fine particles that have diameter less than 2.5 micrometres which are commonly formed as a result of combustion of fuels and chemical reactions in the atmosphere
"ppm"	means parts per million, a unit of mass measurement per unit volume of water
"Process burner"	means furnaces that provide energy through combustion which can then be used to produce various intermediate and final products in petroleum refinery and petrochemical equipment industry
"reactors"	means pressure vessels commonly used to perform reaction procedures of single-phase and multi-phase
"SRU"	means sulphur recovery unit, being the equipment that operates the conversion of hydrogen sulfide to elemental sulfur
"Sulphur recovery"	means the conversion of hydrogen sulfide to elemental sulfur which is a common process for gas processing plants and refineries to minimise the amount of sulfur compounds emissions
"VDU"	means vacuum distillation unit
"VOC(s)"	means volatile organic compounds which have high vapour pressure at room temperature and cause air pollution and smog

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "consider", "estimate", "going forward" and similar expressions or statements and the negative of these words to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plans of operations and our operations and business prospects;
- our capital expenditure and funding plans;
- general economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC government to manage economic growth;
- the changes to the regulatory environment in the industries and markets in which we operate;
- the future developments and competitive environment in our industry;
- our financial condition;
- margins, overall market trends, risk management and exchange rates;
- the effects of the on-going COVID-19 crisis;
- political; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus.

You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below. Our business, financial position and results of operations could be materially and adversely affected by any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and we mainly conduct our business operations in the PRC, the legal and regulatory environment of which may differ in some respects from those in other countries. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Overview" in this prospectus.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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.

Our business and future growth prospects depend on the levels of domestic petroleum refinery and petrochemical development in the PRC where our customers are based. According to the F&S Report, the refining capacity of China has increased from 873.4 million tonnes in 2018 to 936.0 million tonnes in 2023, representing a CAGR of approximately 1.4%. According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前二氧化碳達峰行動計劃》) issued by the State Council, China's petroleum refinery capacity is expected to reach over 1 billion tonne a year by 2025.

To support a sound development of the petroleum refinery and petrochemical industry, the PRC government has issued several policies and regulations and our Group benefits directly and indirectly from such policies and regulations. For example, the Announcement on Implementing the Catalogue for Guiding Industry Restructuring (2019 Version) (《產業結構調整指導目錄(2019年本)》) issued by National Development and Reform Commission in 2019, encouraged the development and application of large petrochemical equipment sets, and replace outdated petrochemical equipment with advanced petrochemical equipment. The 14th Five-Year Plan for Raw Materials Industry Development (《"十四五"原材料工業發展規劃》) issued by the Ministry of Industry and Information Technology in December 2021 emphasised the transformation of quality, and efficiency for the petrochemical industry and promoting the development of the petrochemical industry. The Guiding Opinion for High-quality Development of the petrochemical industry during the 14th Five-Year Plan Period (《"十四五"推動石化化工行業高質量發展的指導意見》) issued by six departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Ecology and Environment and the Emergency Response Department and the National Energy Administration, supported the transformation of domestic petroleum refinery and petrochemical industry to an integrated, large-scale, clean, high value-added, and intelligent industry. Hence, the increasing refining capacity, the structural adjustment of refineries that promote the replacement of existing equipment and the rapid development of petrochemical industry have ensured the continuous demand for petroleum refinery and petrochemical equipment over the past few years.

Nonetheless, we cannot assure you that the favourable regulations and policies which we currently benefit from will be maintained, become more favourable or continue to exist at all. We cannot predict how and to what extent the government policies will affect the petroleum refinery and petrochemical industry as a whole or any sub-segments. In the event of any changes to government policies and regulations, if we cannot respond effectively and in a timely manner, our business, financial conditions, results of operations and prospect may be materially and adversely affected.

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.

Our customers select and engage us as a supplier to provide petroleum refinery and petrochemical equipment mainly on a contract basis through tender or quotation. The average useful life of our equipment provided to customers ranges from approximately 10 years to 20 years. As such, our revenue may not be recurring in nature. Their selection process and procurement decisions are subject to internal evaluation criteria which are affected by a number of factors such as their own business needs, technological and compliance requirements, financing arrangements, business relationship with and qualifications of the suppliers, many of which are out of our control. While we have maintained long-standing business relationships with our major customers, it is uncertain whether we will be selected by our customers for their future projects after the completion of the existing projects, nor can we assure you that we will always remain on any shortlist of suppliers for our existing customers. There is no guarantee that our existing customer will continue to engage us for new contracts, and our Group generally has to go through competitive tendering or quotation process to secure new contracts. In the event that we are unable to maintain business relationships with our existing customers, our existing customers have no expansion plans, or we are unable to price our tender or quotation competitively, our business and hence our revenue and our financial performance will be adversely affected.

It is critical for our Group to secure new contracts at a level similar to or greater than our current business level on a continuous basis. The number and size of contracts we are able to obtain may fluctuate from year to year and we cannot assure you that we will be able to continue to obtain new contracts on terms commercially acceptable to us or that the new contracts will be profitable at current levels, or at all. In the event that our Group is unable to maintain business relationships with our existing customers or engage with new customers, our financial condition and results of operations could be materially and adversely affected.

Globally, there is an increasingly awareness and extensive regulations of greenhouse gas emissions. We may not be able to maintain our revenue growth and any delay by us in bringing new and environmentally-friendly equipment to the market could adversely affect our financial performance.

Our customers mainly operate in petroleum refinery and petrochemical industry and there is an increasingly awareness and extensive regulations of greenhouse gas emissions, which may possibly affect the demand for oil production and petrochemical products. Our customers may shift their preferences for equipment that are more environmentally friendly. If we are unable to adopt our production methods to produce environmentally friendly equipment to meet the evolving requirements of our customers, our customers may cease to purchase equipment from us and we may result in a loss of sales and our business, results of operations and financial conditions may be materially and adversely affected.

Further, we may not be successful in the research and development of production methods to produce environmentally friendly equipment that meet the safety and environmental standards. The development of new production methods can be time consuming and costly. We cannot assure you that any of our research and development projects will be completed within the anticipated time frame, or lead to any breakthroughs. If we are not successful in researching and developing new production methods as per our expectation, we might not be able to recover the research and development costs incurred and our results of operation and financial condition may be adversely affected.

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. Our negative operating cash flow may also expose us to certain liquidity risk.

We are subject to credit risk of our customers with respect to trade and notes receivables and our liquidity is dependent on the prompt payments from our customers. Our trade and notes receivables mainly refer to outstanding amounts due from our customers for sales of our products. As at 31 December 2021, 2022 and 2023, our net trade and notes receivables were approximately RMB160.2 million, RMB309.8 million and RMB326.9 million, respectively; while our average trade and notes receivables turnover days were approximately 198 days, 205 days and 214 days, respectively. We are also exposed to risk of not recovering our contract assets after expiry of the warranty period on time and in full. Our Group's contract assets represents retention receivables which are certain amounts payable to us withheld by our customers as retention money. Such contract assets will be transferred to trade receivables upon the expiry of warranty period. As at 31 December 2021, 2022 and 2023, our contract assets amounted to approximately RMB22.3 million, RMB36.2 million and RMB48.9 million, respectively. See "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Trade and notes receivables" and "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Contract assets and contract liabilities" in this prospectus for further details. Please also refer to Note 6(b) to the Accountants' Report set out in Appendix I in this prospectus for details of our credit risk.

There is no assurance that all such trade receivables due to us will be settled on time. Accordingly, we face credit risk in collecting trade receivables due from our customers and recovering our contract assets. Our performance, liquidity and profitability will be adversely affected if significant amounts due to our Group are not settled on time. The deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

For the years ended 31 December 2021, we had net cash outflow from operating activities of approximately RMB5.0 million. For the years ended 31 December 2022 and 2023, we had net cash inflow from operating activities of approximately RMB1.0 million and RMB6.4 million, respectively. The fluctuations of our operating cash flow was primarily contributed by the fluctuation of balances of inventories, trade and notes receivables and trade and notes payables. For further information, see "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus.

We cannot assure you that we will not experience negative operating cash flow in the future. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. For example, if we do not have sufficient net cash flow to fund our future capital requirements or pay our trade and notes payables, we may need to secure other external financing. If adequate funds are not available from external financing, whether on satisfactory terms or at all, we may be forced to delay or curtail our development and expansion plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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.

Our major materials and components comprise steel materials, such as steel plates and steal pipes, and components, such as electrical parts, electronic measurement instrument and fire-resistant materials. For the years ended 31 December 2021, 2022 and 2023, our cost of materials and components used amounted to approximately RMB135.5 million, RMB232.8 million and RMB289.6 million, representing approximately 76.5%, 81.4% and 82.1% respectively, of our total cost of sales. During the Track Record Period, the fluctuation of our gross profit margin generally followed the fluctuation of steel price in the PRC which is the major materials of our equipment and components. According to F&S, the price index of overall steel plate in China fluctuated from 123.0 in January 2021 and reached its highest in September 2021 at 157.7. It was in downwarding trend during the years ended 31 December 2022 and 2023 and recorded at 113.3 in December 2022 and 112.9 in December 2023. Our Group recorded an improvement of gross profit margin for both 2022 and 2023 when the steel price decreased during 2022 and 2023 as compared to the previous years. If we are unable to effectively manage the price fluctuations in our major materials and components or transfer the increased costs to our customers or adjust our procurement strategy, any significant increase in their prices would materially and adversely impact our profit margin, which in turn, could adversely affect our financial condition and results of operations.

We purchased most of our materials and components from suppliers in the PRC. Supplies of materials and components are subject to a variety of factors that are beyond our control. Such factors include demand and supply dynamics, suppliers' business performance and overall economic conditions, all of which may have an impact on the availability of the materials and components and their respective market prices. We do not have long-term contract with our suppliers, therefore, we cannot guarantee you that our suppliers will not significantly increase the price of materials and components in the future. We cannot assure you that they will continue their business relationship with us and deliver to us in a timely manner and a sufficient quantity of materials and components on commercially acceptable terms, or at all. In the event that we are unable to obtain a sufficient quantity of materials and components at a commercially reasonable price or in a timely manner from them, or at all, our production schedule, quality of products and profit margins may be materially and adversely affected.

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.

The industries of our customers, mainly represent the petroleum refinery and petrochemical industry, are constantly evolving and the technology required for our products utilised in such industries are ever-changing. To cater for such changes, it is important that we keep ourselves up-to-date with market trends and adapt accordingly by developing and implementing the up-to-date technologies into our products on a timely basis. During the Track Record Period, our R&D expenditure amounted to approximately RMB18.7 million, RMB25.1 million and RMB38.0 million, respectively, and all these amounts were charged to our consolidated profit or loss. We cannot assure you that we will be able to timely identify and respond to new trends in the future, nor can we assure you that we can accurately predict future industry trends and market demand. The process of developing new technologies is inherently complex and involves significant uncertainties and the R&D activities may not yield the expected outcomes. For instance, our R&D efforts may fail to translate new development plans into commercially feasible solutions and our new technologies may become obsolete due to rapid technological advancements as well as changes in customer preferences and market reception. If we fail to develop or adopt new technologies in a timely manner to meet the changing demands of our customers in the future, or if our customers or competitors have developed or adopted advanced technologies which are more effective or more commercially attractive, our revenue may be adversely affected and we may lose other business opportunities, which may materially and adversely affect our business, financial condition, results of operations and future development.

In addition, the development of new technologies requires substantial amount of time, capital and other resources but may not generate revenue in line with our expectations. The use of new technologies, innovative engineering designs and production methods could also result in implementation failures, unexpected increases in costs and unstable conditions which could adversely affect the planning and profitability of our products. We cannot guarantee that our investments and efforts in R&D can achieve positive results as we expect. If we fail in our efforts in R&D, our financial condition and results of operations may be materially and adversely affected.

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

Most of our Group's revenue was derived from fixed-price contracts during the Track Record Period. Under these contracts, we usually sell our equipment at a fixed contract price and therefore if there are any cost overruns, we may be unable to recover in full or in part the additional costs incurred. In determining the value of contracts we entered into with our customers, we generally estimate the costs involved in manufacturing the equipment required by our customers, such as material costs and labour costs. Since we usually make material procurement arrangements with suppliers after we have entered into the relevant contracts with our customers, in which the price of the materials are usually set out, we generally would not be able to pass on any increase in material costs to our customers if we experience an unexpected increase in material costs during the period from signing of a sale contract to placing the relevant purchase order with our suppliers. The actual costs for production of a product may also differ from our Group's initial estimation due to unanticipated technical problems or unforeseeable reasons encountered during the course of production of the relevant product. In the event that the costs of our sales contracts increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensation, our financial performance and profitability may be adversely affected.

We have a concentration of customers during the Track Record Period, which may cause our business to be materially and adversely affected.

We have a concentration of customers during the Track Record Period. Our five largest customers in each year during the Track Record Period accounted for approximately 46.9%, 75.9% and 73.6% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively, and our largest customer in each year during the Track Record Period accounted for approximately 20.8%, 60.5% and 35.2% of our total revenue for the respective periods. In addition, we had a concentration of credit risk as at 31 December 2021, 2022 and 2023 as approximately 48.5%, 78.6% and 65.6% of the gross trade receivables as at 31 December 2021, 2022 and 2023 were due from our five largest customers in each year during the Track Record Period, respectively. There is no assurance that these major customers will continue to enter into contracts with us at fees acceptable to our Group or they will remain as financially sound in the future. In the event that these customers encounter financial difficulties and our Group is not able to recover any amount due from these customers or diversify our customer base, our business, results of operations, profitability and liquidity may be materially and adversely affected.

If our customers delay in making payments under relevant sale contracts, it may result in potential mismatches in time between receipt of payments from our customers and payment obligations incurred by us, and may adversely affect our cash flow position and our financial condition and our ability to meet our working capital requirement.

Delays in or failures to make payment by our customers may negatively affect our cash flow position and our ability to meet our working capital requirements. In addition, we incur costs associated with a sale contract — primarily materials and components costs and labour costs — on an ongoing basis. In respect of the contracts on which we have already incurred significant costs, customers' defaults in making payments could materially and adversely affect our results of operations and reduce our working capital that would otherwise be available for other contracts. Additionally, approximately 5 to 10% of the contract value is typically withheld by our customers as retention deposits against any possible defects in the quality of our work and will only be released after expiration of the warranty period, which typically lasts one to two years after completion of a sale contract. As a result, we may be required to bear some costs and expenditures for contracts prior to receiving sufficient payment from our customers to cover such costs and expenditures.

As a result of the foregoing, we may have substantial receivables on any particular date. As at 31 December 2021, 2022 and 2023, our net trade and notes receivables were approximately RMB160.2 million, RMB309.8 million and RMB326.9 million, respectively, accounting for approximately 55.1%, 66.1% and 57.5% of our total current assets, respectively. For further details of our trade and notes receivables, see "Financial Information — Description of Selected Items of the Consolidated Statement of Financial Position — Trade and notes receivables" in this prospectus. Any default in payments of receivables or delays in payments owed to us may lead to a decrease in our working capital. While we may file claims against clients for uncompensated costs we have incurred pursuant to our contracts, dispute resolutions may require significant time, financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts relating to both on-going and completed contracts primarily based on the period of delay in payment and other factors affecting the perceived likelihood of collection on the receivables. We cannot assure you that our customers will make payments to us in full on a timely basis or that we will be able to efficiently manage the level of bad debt arising from receipt of payments in installments.

In addition, we face the risk that our customers may be unable to perform their contractual obligations to us due to failure to obtain sufficient funding for their project development, general financial difficulties or other reasons. In the event that there is instability in the credit markets, the availability of credit may be limited and it may be relatively difficult or expensive to obtain financing. This situation could negatively impact our customers' ability to fund their projects and purchase our products. Accordingly, if our customers are unable to obtain financing in a timely manner or at a reasonable cost, relevant projects may be adversely affected, and our financial performance and prospects may be materially and adversely affected.

If we fail to fulfil our obligations under our contracts with customers, our results of operations and financial condition may be adversely affected.

Our contract liabilities represent advance payments received from our customers for sales of our products before delivery of goods. As at 31 December 2021, 2022 and 2023, our contract liabilities amounted to approximately RMB17.7 million, RMB89.3 million and RMB76.0 million, respectively. Our contract liabilities will subsequently be recognised as revenue when the relevant products are delivered to customers. For details, please see "Financial Information — Description of Selected Items of Consolidated Statements of Financial Position — Contract assets and contract liabilities" in this prospectus.

If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements. In addition, if we fail to fulfil our obligations under our contracts with customers, our relationship with such customers may worsen, which may also affect our reputation and results of operations in the future.

Any material disruption to our production facilities may materially and adversely affect our business.

We owned two production facilities located in Luoyang city, Henan Province, the PRC. During the Track Record Period, we conducted most of the manufacturing works of our petroleum refinery and petrochemical equipment at our own production facilities. On 1 June 2023, we have leased a new production facility in Taizhou city, Jiangsu province, the PRC. Details of our production facilities are disclosed in "Business — Production Facilities" in this prospectus. Smooth and consistent daily operations of our production facilities are crucial to our business. While regular repair and maintenance programmes for our production facilities are scheduled by our production department to ensure that our production facilities are in good conditions, there is no assurance that we are able to discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm is caused to our production plants, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunctions or halts of our production facilities during our daily operations due to any natural disasters, power shortage or malicious human acts. A prolonged disruption in the operations of our production facilities may adversely affect our business operations, financial condition and operating results. Our operations are vulnerable to interruptions by war, riot, fire, earthquake and other force majeure events beyond our control. Any material disruption at our production facilities, even for a short duration, could result in decrease in production capacity for a sustained period and delays in deliveries of our products, which could adversely affect our business operations.

We may not be able to efficiently manage our inventory risks.

Our inventory mainly comprises materials and components, work-in-progress, and finished products. Our scale and business model require us to manage a large volume of inventory effectively. As at 31 December 2021, 2022 and 2023, our inventory amounted to approximately RMB45.3 million, RMB53.1 million and RMB66.7 million, respectively, representing approximately 15.6%, 11.3% and 11.7% of our current assets, respectively. Our average inventory turnover days were approximately 80 days, 63 days and 62 days, respectively for the years ended 31 December 2021, 2022 and 2023. There is also occasions that our customers requested our Group to delay the scheduled delivery of our products under the sales contracts because their sites were not ready for on-site installation of our products. If more customers requested for extension of the scheduled delivery of products, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values and inventory write-down or write-off. In addition, high inventory levels may also require us to commit substantial capital resources. Any of the above may materially and adversely affect our operations and financial conditions.

Our business and operations require capital resources on an ongoing basis. Any failure to obtain sufficient funding may adversely affect our business, financial performance, growth prospects and expansion plans.

We require capital resources to fund our business and to purchase necessary machines and equipment. Further growth of our operating scale and expansion into new geographic markets may also call for increased capital expenditures, further increasing our capital requirements.

To the extent that our capital requirements exceed our financial resources, we will be required to seek additional debt or equity financing or to defer planned expenditures. We have historically financed our working capital requirements and capital expenditures primarily with cash generated from our operations and through external financing, including bank and other borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including but not limited to:

- the overall condition of financial markets;
- potential changes in monetary policies with respect to bank interest rates and lending policy;
- our ability to obtain the PRC government approvals required to obtain domestic or international financing; and the performance of our operations.

Any adverse change in our cash flows generated from our operations may weaken our financial condition and adversely affect our ability to obtain external financing in a timely fashion or on terms acceptable to us. If we are unable to obtain sufficient financing on a timely basis and at a reasonable cost, our business, financial condition and results of operations could be adversely affected.

Our business plans and strategies to enhance our production capacity may not be successful and/or effectively implement and such plans may result in significant increase in our costs and other operating expenses.

We intend to construct a new production facility to expand our production capacity and to capture the business opportunities arising from the growing demand of petroleum refinery and petrochemical equipment in the coming years. For details, please see "Business — Business Strategies — Increase our production capacity and capabilities to expand our scale of operations" in this prospectus. We may incur significant costs including, construction cost, purchase costs of machinery and equipment, installation cost and other operating costs for the new production facility. Our construction cost and purchase costs of new machinery and equipment is likely to increase our depreciation expenses. Our Directors estimate that the additional depreciation upon the completion of the new production facility is approximately RMB3.0 million per year. Any substantial increase in our capital expenditure may increase our depreciation expenses and other operating expenses, reduce our profitability and have a material and adverse impact on our results of operations, financial condition and prospects.

We cannot assure you that our expansion plan will be completed as scheduled, or at all. We are required to obtain various approvals, permits, licence and certificates throughout multiple stages of our new construction. Generally, such approvals, permits, licence or certificates are only issued or renewed after certain conditions have been satisfied. If we are unable to obtain above documents for any reason, or if we encounter unforeseen difficulties in the course of the construction, the construction may be significantly delayed and we may not be able to complete the new production facility. Any failure or delay in implementing any parts of our plan may result in a lack of production capacity to support our growth, which could materially and adversely affect our business, financial condition and results of operations. Our plan to expand our production capacity is also subject to the following risks: (i) our actual production volume may vary depending on the demand for our products, subject to factors that are beyond our control such as market trend and customers' preferences. The demand for our products and revenue to be generated may not increase in line with our increase in production capacity; and (ii) we expect to incur additional direct labour costs, capital expenditure and depreciation costs in connection with the expansion plan. We cannot assure you that our future growth will correspond to our expansion of production capacity. If we fail to implement our expansion plans and business strategies successfully, our business performance, financial conditions and future prospects and growth could be materially and adversely affected.

PRC markets for petroleum refinery and petrochemical equipment industry are highly competitive and subject to technological innovation, and we may be unable to compete effectively in relevant markets.

We face competition from both domestic and international petroleum refinery and petrochemical equipment manufacturers. Our ability to compete successfully depends heavily on our manufacturing capability, customer resources, full range of professional qualifications and innovation. Some of our competitors may have certain advantages over us, including greater financial resources, more advanced technologies, greater economies of scale, broader brand name recognition and better relationships in the market. Increasing competition may result in price and gross profit margin reduction, and loss of our market share, any of which could adversely affect our business and profitability. In addition, our competitors may in some cases be effective in causing our current and potential customers to favour their equipment or prevent or reduce sales of ours. The occurrence of any of these circumstances may hinder our growth and our ability to compete and reduce our market share. We may not grow as fast as we used to, or we expected to, which could materially and adversely affect our business, results of operations, financial condition and prospects. For information about the competition landscape and our major competitors, see "Industry Overview" in this prospectus.

Besides, the major threat of the industry we operate is insufficient technological innovation and lack of research capabilities. In such event, we cannot assure you that we will be able to develop and offer new forms of equipment and high-performance equipment to accommodate our target customers' requirements in a timely manner, or at all, that would allow us to maintain or strengthen our leadership position in our industry.

We could be adversely affected as a result of any sales we made to certain countries that are, or become subject to sanctions administered by the United States, the European Union, the United Kingdom, Australia or other relevant sanctions authorities.

Certain countries or organisations, including the U.S., the European Union, the United Kingdom, and Australia, have, through executive orders, legislation or other governmental means, implemented measures that impose economic sanctions against Sanctioned Countries or against targeted industry sectors, groups of companies or persons, and/or organisations.

Prior to our Track Record Period, we had revenue generated from sales within China of products to Chinese customers that were subsequently used by/resold to Sanction Persons in Iran, a Sanctioned Country (the "**Indirect Iran Sales**"). During the Track Record Period, we directly and indirectly sold our products to four customers located in Russia. The revenue generated from our sales to these relevant customers in Russia was approximately RMB6.8 million, RMB0.2 million and RMB63.4 million, representing approximately 2.8%, 0.06% and 11.7% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

As advised by our International Sanctions Legal Adviser, our Indirect Iran Sales and our direct and indirect sales of products to our customers in Russia did include certain transactions that might potentially qualify as Secondary Sanctioned Activity under U.S. law, and the risks that our Company might become subject to secondary sanctions under U.S. law as a result of our sales mentioned above are determined to be low and may be further mitigated by additional remedial measures. As such, in the event that any of our business activities are found to be in violation of any of the International Sanctions Laws by any competent authorities we are subject to, our business and financial condition and results of operations could be materially and adversely affected. Further, if we fail to prevent the occurrence of any business activities which are subject to the International Sanctions, our business operation, financial condition and results of operation may be materially and adversely affected.

We have undertaken to the Stock Exchange that (i) we will not conduct any sales directly or indirectly, to Iran and Russia or to any individuals, entities or countries who are subject to International Sanctions or located in Sanctioned Countries; (ii) we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the United States, the European Union, the United Kingdom or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions; and (iii) we will not use the net proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the

Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Kingdom or Australia. We will also disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions our Group entered into in Sanctioned Countries or with Sanctioned Persons would expose our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Sanctioned Countries and with Sanctioned Persons and our business intention relating to Sanctioned Countries and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

For information about our internal control measures implemented in respect of such sanctioned-related risks, please see "Business — Business Activities in Countries/Regions with International Sanctions Exposure" in this prospectus.

Our operations are subject to inherent operational and safety risks and occupational hazards, which could cause us to incur substantial costs and subject us to administrative penalties and compensation claims.

Due to the nature of our business, we engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable and explosive materials. While we are committed to ensure our business operations is in compliance with requisite safety requirements and standards and have established a department dedicated to safety monitoring, we cannot assure you that we are free from risks surrounding these activities, such as geological catastrophes, toxic gas and liquid leakages, equipment failure, industrial accidents, fire and explosions. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment. In January 2024, there was one fatal accident at one of our PRC production facilities and, we were found partially liable for such accident by the relevant government authority. We were fined a penalty in the amount of RMB390,000 and we had also made compensation of RMB1.7 million. For details of the fatal accident, please see "Business — Health, Safety and Environmental Protection — Health and safety — Fatal accident happened in January 2024". We have implemented enhanced internal control and workplace safety measures after this fatal accident. However, we cannot guarantee that material workplace accidents will not occur in the future despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs, damage to our reputation and loss of future business, which may materially and adversely affect our business, financial position and results of operations.

We may be subject to litigations, claims or other disputes for our operations.

We may from time to time encounter disputes arising from contracts with customers, suppliers or other third parties, which may involve claims against them or us. Claims against us by our customers may involve substandard products, which may result in us incurring liquidated damages under the terms of our contracts with our customers. On the other hand, claims may arise after disputes with suppliers due to any delay of payment to suppliers. We may also be liable for injuries sustained by our staff during their course of work. Should any claims against us fall outside the scope and/or limit of our insurance coverage, our financial condition may be adversely affected. Claims involving us could result in time-consuming and costly litigations, arbitration, administrative proceedings or other legal procedures. Expenses we incur in legal proceedings or arising from claims brought by or against us could have a material and adverse effect on our business, financial condition, results of operations and business prospects. Moreover, legal proceedings resulting in unfavourable judgment or findings may harm our reputation and damage our prospects of securing future contracts, thereby materially and adversely affecting our results of operations and business prospects.

Our business depends substantially on our ability to attract and retain experienced professionals.

The success of our operations depends on our ability to attract and retain experienced professionals, including executive officers and professionals such as engineers, R&D personnel and senior technical workers with the requisite experience, knowledge and expertise to successfully carry out our business. Additionally, certain rules and regulations relating to the specialised certifications we hold in respect of our business require us to retain a specified number of qualified professionals on our full-time staff. Competition for qualified personnel is intense in the engineering market. We face the risk of losing our employees to competitors who are able to offer more competitive compensation packages, and we may be unable to find replacements in a timely manner. We may also need to make significant expenditures to train employees in order to enhance their relevant experience and specialised skills. In addition, we may need to improve our remuneration packages and our human resources management to improve employee retention.

We have entered into confidentiality agreements and non-competition agreements with our key employees to prevent information leakage of our proprietary technologies and trade secrets resulting from any loss of key employees. However, we cannot assure that there will be no violations of the terms of the confidentiality agreements and non-competition agreements.

The diversity of our business both in terms of scale and geographic location creates significant pressure on our human resources. Our future operating results will depend on our management's ability to maintain effective control over such a large and diversified enterprise. If we are unable to recruit personnel with the necessary skills, the attention of our management could be diverted. If we cannot recruit and retain the employees necessary for executing our contracts or performing necessary business activities, our business operation may be adversely affected.

Our business operation management system, particularly with respect to quality control procedures, may not be able to prevent all incidences of negligence or mistake.

Our management system, which covers matters including production scheduling, product quality, costs, health, safety and environmental protection, is essential to the effective management, progress, quality, safety and profit margins of our contracts. In particular, the quality of our products is critical to the success of our business. Accordingly, we must maintain an effective quality control system for our business operations. Effective quality control depends on various factors, including the mechanism of our quality control system, management of an individual contract, provision of sufficient training to our employees and our ability to ensure that employees adhere to our quality control policies and guidelines. Any negligence or mistake in quality control could result in defects in our products or delays in our production, which in turn may subject us to contractual and other claims. Any such claims, regardless of outcome, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations.

Any failure to adequately protect our intellectual property rights or any infringement claims brought by third parties against us may have an adverse effect on our business, financial condition and results of operations.

We rely primarily on patents and proprietary technologies to protect our technologies, which include engineering and construction technologies for our products. These patents and proprietary technologies have played a significant role in improving our production efficiency and completing large-scale and complex projects. As at the Latest Practicable Date, we possessed (including co-owned) 219 registered patents which comprised of 163 utility patents, 53 invention patents and three design patents in the PRC, as well as four international patents. For details of our co-owned patents, please refer to the section headed "Business — Intellectual Property — Co-owned patents" in this prospectus. We may not be able to promptly detect infringement and take effective steps to enforce our intellectual property rights, which may be costly. In the event that the steps we have taken do not adequately safeguard our intellectual property rights, we could suffer losses due to the provision or the sale of competing services or products by others which exploit our intellectual property rights.

In addition, there can be no assurance that our intellectual property rights will not be challenged, misappropriated or circumvented by third parties, or that our competitors will not independently develop alternative technologies that are equivalent to or more advanced than our technologies. Moreover, we may not be successful in obtaining patent authorisations or registrations or protecting the patents, which could have a material and adverse impact on our business, financial condition and results of operations. We may also be subject to claims on infringement of patents, trademarks or other intellectual property rights of others. Defending or otherwise dealing with any infringement claims, whether with or without merit, could be time-consuming, costly, detrimental to our brand and trademarks, reduce our sales and require us to enter into licensing agreements that may not be favourable or acceptable to us.

Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive licence to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to licence their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We use intellectual property in our operations that may be owned by others and we also develop (independently or with other parties) intellectual property from such intellectual property for use in our operations and licensing to our clients. There can be no assurance that our use or licensing of any of such intellectual property, or of new intellectual property developed from such intellectual property, will not be challenged or that we would be able to successfully defend ourselves if challenged. If any such challenge by third parties is successful, we may not be able to use or licence such intellectual property, which may have a material and adverse effect on our operations if such intellectual property involved is critical to our business.

The discontinuation of the preferential tax treatment for High Technology Enterprises or government grants currently available to us in the PRC or other unfavourable changes in tax law or government grant policy could result in additional tax obligations and expenses.

Our subsidiaries, Luoyang Ruichang and Shanghai Ruiqieer hold the certificate of High Technology Enterprises and are entitled to a preferential income tax rate of 15% on their taxable income during Track Record Period and as at the Latest Practicable Date. The qualification of Luoyang Ruichang and Shanghai Ruiqieer as High Technology Enterprises is currently valid from November 2023 to November 2026 and from December 2021 to December 2024, respectively. We intend to apply for renewal of such qualification thereafter but there is no assurance that our application will succeed. The High Technology Enterprises qualification is re-assessed by the relevant authorities every three years, and standard of the assessment may be changed. In the event that this preferential tax treatment is discontinued, these subsidiaries will become subject to a 25% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability. Our business and financial performance could also be adversely affected by unfavourable changes in or interpretation of existing, or promulgation of new tax laws or regulations applicable to our business and any unfavourable changes in tax law could result in additional tax obligations and expenses.

In addition, we received government grants in the amount of approximately RMB4.2 million, RMB0.7 million and RMB1.1 million for the years ended 31 December 2021, 2022 and 2023, respectively, as encouragement for research and development and employment stabilisation. Although we expect to continuously benefit from government grants, the local government authorities have the sole discretion to determine the timing, amount and criteria of such financial incentives. We generally do not have the ability to influence local government authorities in making these decisions. We cannot assure you that we will continue to receive such government grants or that the amount of any such government grants will not be reduced in the future. Even if we continue to be eligible to receive such government grants, we cannot guarantee that any conditions attached to the grants will be as favourable to us as they have historically been. Reduction or discontinuation of these government grants could adversely affect our financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all potential risks or losses associated with our business and operations.

We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and the customary practice in the industry, and in determining such amounts we base on the level of our operational risks, we have entered into insurance policies to cover certain risks associated with our business. See "Business — Insurance" in this prospectus. However, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, our insurers review our policies each year. We cannot guarantee that we can renew our insurance on similar acceptable terms each year in the future, or at all. If we suffer from severe unexpected losses or losses that far exceed the policy limits, our business, financial condition and operating results could be materially and adversely affected.

We do not purchase any third-party liability insurance to cover claims with respect to personal injury or property or environmental damage claims arising from accidents on their properties or relating to errors and omissions in the operation of our business and have not maintained any insurance policy against losses arising from environmental regulatory requirements, business interruption, industrial accidents and demonstrations and protests by, or other activities of, our employees or third parties; nor do they carry any key-man life insurance on their key employees. Our Directors consider that, the purchasing of these types of insurance is not compulsory under the relevant PRC laws and regulations, and voluntarily purchasing such insurance would incur additional costs for our business operations, which could reduce our competitiveness in the PRC. However, risks relating to our operations arising from one of the aforementioned uninsured occurrences or otherwise could expose us to material losses and thereby have a material and adverse impact on our business.

Failure to obtain or renew licences, certificates and permits required in the manufacturing of our petroleum refinery and petrochemical equipment could adversely affect our business, financial condition, results of operations and prospects.

We possess the necessary licences, certificates and permits that are material to the manufacturing of petroleum refinery and petrochemical equipment for the operation of our business. As our products are applied in various countries, to conform with the relevant industry standards, we are also required to obtain various industrial licences/certificates issued by relevant accrediting institutions in the PRC, including the Production Licence of Special Equipment of the PRC (Design of pressure pipeline) (特種設備生產許可證(壓力管道設計)), Production Licence of Special Equipment of the PRC (Manufacture of pressure piping components) (特種設備生產許可證(壓力管道元件製造)), Production Licence of Special Equipment of the PRC (Manufacture of pressure piping) (特種設備生產許可證(壓力容器製造)), Production Licence for Special Equipment of the PRC (Installation, repairment and modification of special pressure equipment) (特種設備生產許可證(承壓類特種設備安裝、修理、改造)), Certificate of Conformity of Explosion-Proof (防爆合格證) and Certificate of Authorisation (ASME-U) (authorised by ASME). See "Regulatory Overview" in this prospectus for more details. However, there is no assurance that we will be able to obtain our licences, certificates and permits or renew such licences, certificates or permits upon their expiration. In addition, the eligibility criteria for these licences, certificates, and permits may change from time to time and additional licences, certificates and permits may be required and higher compliance standards may have to be observed. In the event of the introduction of any new laws and regulations or changes in the interpretation of any existing laws and regulations that increase compliance costs for us or prohibit or make it more expensive for us to continue with the operation of any part of our business, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to fair value changes for financial assets measured at fair value through profit and loss and through other comprehensive income; and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

During the Track Record Period, we had acquired financial assets at fair value through profit and loss which mainly represented bank commercial products; and financial assets at fair value through other comprehensive income which represented investment in an unlisted equity. We may, from time to time, invest in such similar products in the future. As at 31 December 2021, our financial assets at fair value through profit or loss amounted to approximately RMB7.0 million. As at 31 December 2021, 2022 and 2023, our financial assets at fair value through other comprehensive income amounted to approximately RMB17.0 million, RMB14.7 million and RMB14.4 million, respectively and we recognised negative fair value changes on financial assets at fair value through other comprehensive income of approximately RMB2.3 million and RMB0.3 million, respectively for the years ended 31 December 2022 and 2023.

Since the values of our financial assets depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such products. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition. Moreover, we cannot assure you that we will not incur any such fair value losses in the future. Any change in market conditions could lead to volatility in the fair values of our financial assets, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favourable prices.

We are subject to environmental, safety and health laws and regulations which are applicable to our business and the compliance costs for, or the penalties or fines incurred as a result of our failure to comply with such laws and regulations, may materially and adversely affect our business operation and financial position.

Our production generates waste water, solid waste, noise, dust, air pollutants, sewage and other industrial waste. Globally, there is extensive regulations of greenhouse gas emission. As a result, our operations are subject to various national and local environmental laws and regulations as well as governmental oversight in the PRC. The environmental laws and regulations impose stringent standards on our handling and disposal of solid waste, emission of water and emulsified waste, and airborne and greenhouse gas emissions. Moreover, our operations may be subject to further oversight and supervision by local governments in the PRC. Any violation of these laws and regulations may result in warning, payment of damages, fines, restriction or suspension of production or an order to halt production, which in turn have a material and adverse effect on our business operations, result of operations and financial condition.

In addition, future changes in the scope, application and interpretation of the environmental laws and regulations as well as governmental oversight in the PRC may limit or restrict our production capacity and we may be required to incur additional capital expenditures to, among others, install, replace, upgrade or supplement our equipment relating to greenhouse gas emission or pollution control and the use, storage, handling and disposal of hazardous materials, or make operational changes to limit any adverse impact, whether actual or potential, on the environment in order to comply with new environmental protection laws and regulations. If such cost becomes prohibitively expensive, we may be forced to modify, curtail or cease certain aspects of our business operations. As environmental laws and regulations as well as governmental oversight in the PRC become more stringent or heightened over time, we cannot assure you that we will be in compliance with these laws and regulations at all times. If our insurance coverage cannot adequately cover such losses or liabilities, we would be financially responsible for such losses or liabilities, which could result in a material and adverse impact on our business, results of operations and financial condition.

Moreover, our equipment is generally applied in petroleum refinery and petrochemical industry, which are subject to extensive environmental and safety laws and regulations governing the emission, discharge, release and disposal of hazardous material, and the generation, handling, storage, transportation, treatment and disposal of solid waste material. There can be no assurance that more stringent laws, regulations or policies applicable to our customers will not be implemented. If we are unable to adapt timely to offer products that comply with the more stringent standards, we may lose contracts and other business opportunities to our competitors, which in turn may affect our business and results of operations.

We may be subject to additional social insurance fund and housing provident fund contributions and late payments or fines imposed by relevant regulatory authorities.

Under the relevant PRC laws and regulations, we are required to make social insurance fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make full social insurance fund and housing provident fund contributions for some of our employees. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay for the years ended 31 December 2021, 2022 and 2023 was approximately RMB3.3 million, RMB3.2 million and RMB5.1 million. As advised by our PRC Legal Advisers, in respect of outstanding social insurance contributions, the relevant PRC authorities may demand that we pay the outstanding social insurance funds within a stipulated deadline and a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times of the overdue amount. In respect of the outstanding housing provident fund contributions, we may be required by the relevant PRC authorities to pay the outstanding amount to the housing provident funds within a prescribed time frame. If we fail to pay housing provident fund contributions within the prescribed deadlines, an application may be made to the relevant people's court for compulsory. As at the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the outstanding social insurance funds and housing provident funds. However, we cannot assure you that we will not be subject to any order in the future to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance funds and housing provident funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial or local authorities.

We may be subject to administrative penalties as we have not registered all of our leased agreements with competent construction or real estate administration authorities.

Pursuant to applicable PRC laws and regulations, lease agreements must be registered with competent construction or real estate administration authorities. As at the Latest Practicable Date, we have two lease agreements that have not completed lease registration, either as the lessor or lessee. Under PRC laws and regulations, the parties concerned with these properties lease may be subject to administrative fines for failing to register the lease agreement within a prescribed period as required by the competent authorities. Our PRC Legal Advisers advised that we may be ordered to rectify our failures to register and, if we fail to do so within a prescribed period, a penalty of between RMB1,000 and RMB10,000 per agreement may be imposed on us as a result. The estimated total amount of penalty for our failure to file our lease agreements is RMB2,000 to RMB20,000. In the event that our leases are deemed by the relevant authorities to be invalid, we intend to find alternative locations nearby and relocate relevant offices. We may incur additional relocation costs and cannot assure you that we will be able to find alternative locations in a timely or effective manner.

The outbreak of COVID-19 and the uncertainty of the global economic conditions could have a material adverse impact on our financial condition and results of operations.

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries and regions across the world have imposed widespread lockdowns, closure of work places and travel restrictions. The adverse global economic conditions may negatively impact our clients' ability to raise funds for projects and their willingness to invest in new projects. This may cause our customers to reduce their capital expenditures, change the types of products purchased or seek more favourable pricing and other terms in their contracts with us. There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as global pandemic may have, and as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of the impacts will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak. Hence, our customers may be unable to predict the timing, impact or duration of any economic slowdown or subsequent economic recovery globally and in the regions in which they operate. Moreover, our customers or other counterparties may face financial constraints, or even the risk of bankruptcy, resulting in an increasing likelihood of default or delinquent payment by our customers or other counterparties, which could have an adverse impact on our results of operations and financial condition.

Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, oversea expansions, results of operations and financial condition.

Our business operations may be affected by an occurrence of a widespread public health problem, acts of war, natural disasters or other factors beyond our control.

Our business may be interrupted for reasons beyond our control, which may include widespread health problems, acts of war or natural disasters such as bad weather conditions, flooding, typhoons, tsunamis, snowstorms, landslides, earthquakes and fires, as well as labour strikes or social turmoil. We operate our business principally in the PRC. Our operations and business could be adversely affected by the above factors that are beyond our control.

The countries where we have operations may encounter epidemics, which may cause different degrees of damage to the national and local economies and result in material disruptions to our operations. The occurrence of natural disasters, unanticipated catastrophic events or a recurrence of an epidemic and other adverse public health developments in the countries where we have operations could severely disrupt our business operations, and in turn materially and adversely affect our business, financial condition and results of operations.

In addition, if our employees were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or higher ongoing labour costs, which may have a material adverse effect on our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Currently, the majority of our assets are located in the PRC and our revenue is substantially generated from the PRC. Hence, our business operations and prospects are to a large extent affected by the economic, political, social and legal developments in the PRC.

Changes in the PRC's political and social conditions or government policies could materially and adversely affect our business prospects, financial conditions and result of operations.

Our revenue is substantially derived from our operations in China during the Track Record Period and in a foreseeable future. As a result, our financial condition and results of operations are largely influenced by the economic, political and social conditions of the PRC. The Chinese government plays a significant role in regulating industry development by imposing industrial policies. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us.

We face foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on our business and investors' investment.

The Renminbi has fluctuated against Hong Kong dollars and the U.S. dollars at times significantly and unpredictably. The fluctuation of Renminbi against Hong Kong dollars, U.S. dollar and other currencies is affected by, among other things, changes in global political and the PRC government's currency policies. It is difficult to predict how market forces may impact Renminbi and foreign currencies going forward. During Track Record Period, even though substantially all of our revenue and expenses were denominated in Renminbi, fluctuation in exchange rates may nevertheless in the future adversely affect the value of our net costs and earnings. In particular, the proceeds from the Global Offering will be in Hong Kong dollars. We cannot assume you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars and U.S. dollars in the future. Any unfavourable movement in the exchange rate of the Renminbi against Hong Kong dollar may adversely affect the value of our proceeds from the Global Offering. In addition, any unfavourable fluctuations in the exchange rate between the Renminbi and offer currencies may also lead to an increase in our costs, which would affect our business, results of operations and financial conditions.

The PRC government's control over foreign currency exchange and requirements for governmental approval may affect our results of operation and financial position.

As our operations are primarily conducted in the PRC and substantially most of our revenue is denominated in RMB, fluctuations in the RMB exchange rate against other currencies did not have a material impact on our results of operations during the Track Record Period. However, as we shall expand our business into international markets, our overseas income and expenditures may increase, and exposure to fluctuations in foreign exchange may also increase.

Pursuant to existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions in the PRC (including dividend payouts) without submitting the certifying documents of such transactions to SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes, including direct overseas investment and various international loan, may require and prior approval or registration with SAFE.

If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, our capital expenditure plans, and even our business, financial condition and results of operations, may be adversely affected.

Regulations relating to offshore investment activities by PRC residents may expose us to fines or sanctions imposed by the PRC Government, including restrictions on the ability of our PRC subsidiaries to pay dividends or distribute profit to us and our ability to increase our investment in our PRC subsidiaries.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or the Circular 37 on 14 July 2014. Pursuant to Circular 37, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs.

Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知), or the Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since 1 June 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks.

As advised by our PRC Legal Advisers, each of our Controlling Shareholders, namely Mr. Lu Bo and Ms. Lu Xiaojing and each of our Pre-IPO Investors, namely Mr. Tang Yingsheng and Mr. Li Yijun has completed the respective registrations under SAFE Circular 37 as of the Latest Practicable Date. We may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to compel our Shareholders to comply with the requirements of Circular 37 in a timely manner or at all. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject these Shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. There is also no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

We may be treated as a resident enterprise for PRC tax purpose under the EIT Law, which could results in unfavourable tax consequences to us and our non-PRC shareholders.

Our Company are incorporated under the laws of the Cayman Islands, but substantially all of our operations are in China. Under the EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a "non-resident enterprise" or a "resident enterprise". If an enterprise incorporated in a foreign country or region has its "de facto management bodies" located within China, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income. The relevant implementation rules define "de facto management bodies" as those which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise. In April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, which sets forth certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore- incorporated enterprise is located in mainland China. However, it only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. As of now, the PRC tax authorities have not made any determination on whether we shall be deemed to be a PRC resident enterprise for tax purposes. If we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25% on our worldwide income, and be obligated to withhold PRC income tax on the gross amount of dividends we pay to our Shareholders who are non-PRC tax residents. The withholding income tax rate is 10%, unless otherwise provided under applicable double taxation treaties between China and the government of the relevant foreign tax jurisdiction where a Shareholder resides. In addition, if we are deemed to be a PRC resident enterprise for tax purposes under the EIT Law, gains on sales or other transfers of the Offer Shares by an investor may also be treated as income derived from sources within the PRC and be subject to PRC tax.

Uncertainties with respect to the PRC legal system could adversely affect us.

Our business and operations are conducted primarily in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is based on written statutes and various administrative regulations and policy decrees. Depending on the government agency or how an application or case is presented to such agency, we may receive less favourable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. These uncertainties may impede our ability to enforce the contracts we have entered into with our clients, suppliers and other business partners, which could materially and adversely affect our business and results of operations. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government decisions. These uncertainties may limit legal remedial measures available to us. In addition, any litigations may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

We are a holding company that substantially relies on dividend payments from our subsidiaries for funding, and our corporate structure may limit our ability to receive dividends from, and transfer funds to, our PRC subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one affiliated PRC entity to another in a timely manner.

We are a holding company incorporated in the Cayman Islands and operate our business through our subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries are currently subject to or may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

Any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including relevant administration of foreign exchange or relevant examining and approval authority. Therefore, it is difficult to change our plans with respect to use of funds or capital expenditure plans once the relevant funds have been remitted from our Company to our PRC subsidiaries. These limitations on free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and reallocate funds from one PRC subsidiary to another in a timely manner.

Any decline in or restrictions on the ability of our operating subsidiaries to pay dividends to us could adversely affect our cash flow, earnings and ability to pay dividends.

We conduct a substantial portion of our operations through our operating subsidiaries in the PRC. Most of our assets are held by, and most of our earnings and cash flows are attributable to, our operating subsidiaries in the PRC. If the earnings from our operating subsidiaries were to decline, our earnings and cash flow could be adversely affected. The ability of our operating subsidiaries to pay dividends depends on business considerations and regulatory restrictions, including the cash flow and articles of association of these companies, shareholders' agreements they are parties to and applicable PRC laws and regulations. In particular, under PRC law, our operating subsidiaries may only pay dividends after they have made up for any accumulated losses and 10% of their net profit has been set aside as a statutory reserve fund, unless the amount set aside for the reserve fund accounts for 50% or more of their registered capital. In addition, distributions by our operating subsidiaries to us other than dividends may be subject to governmental approval, approval by other shareholders and taxation. These restrictions could reduce the amount of distributions that we receive from our operating subsidiaries, which could restrict our ability to fund our operations, generate revenue and pay dividends. There can be no assurance that our operating subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to pay dividends.

It may be difficult to effect service of legal process upon, or to enforce any foreign judgments or being original actions in the PRC based on foreign laws against, us, our Directors, and our senior management.

Substantially all of our operations and assets are located in the PRC. In addition, almost all of our Directors and executive officers reside in the PRC, and their personal assets may also be in the PRC. As a result, it may be difficult or impossible for investors to effect service of process from outside the PRC upon us or our Directors and executive officers.

Moreover, China does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the British Virgin Islands, the Cayman Islands and most other western countries. Furthermore, an original action may be brought in China against us or our Directors or executive officers only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for institution of a cause of action pursuant to the PRC Civil Procedure Law 《(中華人民共和國民事訴訟法)》. As a result of the conditions set forth in the PRC Civil Procedure Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, there remains uncertainty on whether investors will be able to bring an original action in China in this fashion.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares. The trading volume and market price of the Shares following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our Shares. The initial offer price range to the public for our Shares was the result of negotiations between us, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied to list and deal in our Shares on the Hong Kong Stock Exchange. However, the Global Offering does not guarantee that an active liquid public trading market for our Shares will develop. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which the Shares will be traded.

As the Offer Price per Share is higher than the consolidated net tangible asset of our Group attributable to owners of our Company per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Shares is higher than the consolidated net tangible asset of our Group attributable to owners of our Company per Share immediately prior to the Global Offering. Therefore, all investors and purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets and existing holders of our Shares will receive an increase in adjusted consolidated net tangible assets per Share of their Shares. If we issue additional Shares or equity-linked securities in the future, investors and purchasers of Shares may experience further dilution of their interest.

Future sales or perceived sales of substantial amounts of our securities in the public market, could materially and adversely affect the prevailing market price of our Shares.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Listing Rules." After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by us could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

Future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares.

Disposal of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

There can be no assurance if and when we will pay dividends in the future.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition, cash flows, capital adequacy ratios, operating and capital expenditure requirement contractual restrictions, our Memorandum and Articles of Association, the Cayman Companies Act, applicable laws and regulations and other factors that our Directors deem relevant and will be subject to approval of our Shareholders. See "Financial Information — Dividends" in this prospectus for further details. Our future payments of dividends will be at the absolute discretion of our Board and subject to Shareholders' approval. We cannot assure you when or whether we will pay dividends in the future.

Our Shares may be subject to cancellation or disciplinary proceedings if there is a breach by us of the Listing Rules or any undertakings which may have been given in favour of the Stock Exchange.

Upon the Listing, we will be required to comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favour of the Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of, or any circumstance which causes us to breach, the Listing Rules or such other undertakings which may have been given in favour of the Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are a Cayman Islands company and our corporate affairs are governed by, among other things, our Memorandum and Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

Investors should not rely on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding our Company and the Global Offering. Such press and media coverage may include references to certain events or information that do not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them.

Accordingly, prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to purchase our Shares.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

Statistical and other information relating to the PRC and our industry contained in the sections headed "Business" and "Industry Overview" in this prospectus have been compiled partly from various publicly available PRC official government publications as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. The information and statistics from official government sources have not been independently verified by our Company, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

Forward-looking information contained in this prospectus may not be accurate, reliable, or fair.

This prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate," "believe," "could," "estimate," "expect," "going forward", "future", "prospective", "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industries and markets in which we operate;
- our strategy, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industries and markets in which we operate;

- our ability to reduce costs;
- our dividend policy;
- projects under construction or planning;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

The core business and operations of our Group are principally located, managed and conducted in the PRC and most of our Group's assets are based in the PRC. The principal management headquarters of our Company are based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. All of our executive Directors and most of the members of our senior management are currently ordinarily based in the PRC and will continue to be so after the Listing of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorised representatives, namely, Mr. Lu Bo, an executive Director and Mr. Lee Chung Shing, a joint company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of the Company's authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) pursuant to Rule 3.20 of the Listing Rules, we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, email addresses and fax numbers (if any)) to each of the authorised representatives and to the Stock Exchange. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required. We also confirm that all Directors who are not ordinarily resident in Hong Kong have or will have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

(c) we have appointed First Shanghai Capital Limited as our compliance adviser (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will have access at all times to our Company's authorised representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will maintain constant contact with the authorised representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary. Our authorised representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules; and

(d) we intend to maintain a place of business in Hong Kong upon Listing.

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, the Company must appoint an individual as the company secretary who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

A waiver from strict compliance with the requirements under Rules 3.28 of the Listing Rules can be granted if (i) the proposed company secretary is assisted by a person with the qualification or expertise in the abovementioned, who is to be appointed as a joint company secretary; and (ii) such waiver can be revoked if there are material breaches of the Listing Rules. A waiver from strict compliance with the requirements under Rules 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case will not exceed three years.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

Our Company has appointed Mr. Fu Cong and Mr. Lee Chung Shing as joint company secretaries of our Company in March 2023 and May 2021, respectively. Mr. Lee Chung Shing is an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. Mr. Fu Cong, however, does not possess the qualifications set out in Rule 3.28 of the Listing Rules. Our Company believes that Mr. Fu Cong, by virtue of his knowledge and experience in handling corporate administrative matters, is capable of discharging his functions as a joint company secretary. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Mr. Fu Cong who is familiar with our operational and investor relations matters.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant to us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is granted on two conditions:

(a) Mr. Fu Cong must be assisted by Mr. Lee Chung Shing, who possesses all the requisite qualifications and experiences required under Rule 3.28 of the Listing Rules; and

(b) the waiver shall be valid for three years from the Listing Date and will be revoked immediately if and when Mr. Lee Chung Shing ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company.

Before the expiry of such three-year period, the qualifications and experience of Mr. Fu Cong and the need for on-going assistance of Mr. Lee Chung Shing will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Fu Cong, having benefited from Mr. Lee Chung Shing's assistance for three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary. If, subject to the Stock Exchange's view, such requirements cannot be satisfied by Mr. Fu Cong after such three-year period, we will take appropriate actions for compliance with Rules 3.28 and 8.17 of the Listing Rules, including an extension of the joint company secretaries arrangement as described above, or appoint a suitable candidate who will be able to comply with the requirements under Rules 3.28 and 8.17 of the Listing Rules as the company secretary of our Company.

See the section headed "Directors and Senior Management — Joint Company Secretaries" in this prospectus for further information regarding the qualifications of Mr. Fu Cong and Mr. Lee Chung Shing.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 12,500,000 Offer Shares and the International Placing of initially 112,500,000 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure and Conditions of the Global Offering" in this prospectus and, in case of the International Placing, to any exercise of the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators and Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around Price Determination Date, subject to the Offer Price being agreed. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure and conditions of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering", and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue, the Shares which may be issued pursuant to the exercise of the Post-IPO Share Option Scheme and the Offer Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 10 July 2024. No part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out under the sections headed "Underwriting" and "Structure and Conditions of the Global Offering" in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company's principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on our Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong 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. Dealings in Shares registered in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of any transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.9 to US$1.00, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8 to US$1.00, and (iii) the translations between Renminbi and Hong Kong dollars was made at the rate of RMB1 to HK$1.09.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
LU Bo (陸波)	No. 140, Lane 99 Wanding Road, Minhang District Shanghai	Chinese
LU Xiaojing (陸曉靜)	No. 139, Lane 99 Wanding Road, Minhang District Shanghai	Chinese
BAI Wei (白薇)	No. 140, Lane 99 Wanding Road, Minhang District Shanghai	Chinese
SHAO Song (邵松)	No. 139, Lane 99 Wanding Road, Minhang District Shanghai	Chinese
WU Rui (吳瑞)	Room 202, Unit 1, Building 2 Jiaoshixincun Community Liulin Road Laocheng District Luoyang City Henan Province	Chinese
Independent Non-executive Directors		
TU Shenwei (塗申偉)	Room 202 No. C22, Lane 1481 Huqingping Road Shanghai	Chinese
ZHANG Shengjie (張晟杰)	Room 501, Unit 2, Building 6, Xiaolu 68 Qianchao Road Hangzhou City Zhejiang Province	Chinese
BAU Siu Fung (鮑小豐)	Flat B, 17/F Block 102, Stage 8 Broadway Mei Foo Sun Chuen, Mei Foo Kowloon Hong Kong	Chinese

For further information regarding our Directors, please see the section headed "Directors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong (A licenced corporation carrying on type 6 (advising on corporate finance) regulated activities under the SFO)
Overall Coordinators	**First Shanghai Securities Limited** 19/F, Wing On House 71 Des Voeux Road Central Hong Kong **Victory Securities Company Limited** Room 1101–3, 11/F Yardley Commercial Building 3 Connaught Road West Sheung Wan, Hong Kong
Joint Global Coordinators	**First Shanghai Securities Limited** 19/F, Wing On House 71 Des Voeux Road Central Hong Kong **Victory Securities Company Limited** Room 1101–3, 11/F Yardley Commercial Building 3 Connaught Road West Sheung Wan, Hong Kong
Joint Bookrunners	**First Shanghai Securities Limited** 19/F, Wing On House 71 Des Voeux Road Central Hong Kong **Victory Securities Company Limited** Room 1101–3, 11/F Yardley Commercial Building 3 Connaught Road West Sheung Wan, Hong Kong **CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

Central China International Capital Limited
Suites 1505–1508, Two Exchange Square
8 Connaught Place, Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

China Everbright Securities (HK) Limited
33/F, Everbright Centre
108 Gloucester Road, Wan Chai
Hong Kong

Shanxi Securities International Limited
Unit A, 29/F, Tower One, Admiralty Centre
18 Harcourt Rd, Admiralty
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road, Kowloon
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

Fortune (HK) Securities Limited
4102–06, 41/F, COSCO Tower
183 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central, Central
Hong Kong

Zhongtai International Securities Limited
19th Floor, Li Po Chun Building
189 Des Voeux Road Central
Hong Kong

Goldlink Securities Limited
28/F., Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

TradeGo Markets Limited
Room 3405, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Fosun International Securities Limited
Suite 2101–2105 21/F Champion Tower
3 Garden Road
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy, 1 Hennessy Road
Hong Kong

Joint Lead Managers

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

Victory Securities Company Limited
Room 1101–3, 11/F
Yardley Commercial Building
3 Connaught Road West
Sheung Wan, Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
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34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy, 1 Hennessy Road
Hong Kong

Legal Advisers to our Company	*As to Hong Kong laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC law:* **Jia Yuan Law Offices** 4th Floor, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District, Beijing 100031 PRC *As to International Sanctions law:* **DLA Piper Singapore Pte. Ltd.** 80 Raffles Place UOB Plaza 1, #48-01 Singapore *As to Cayman Islands law:* **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong laws:* **Eric Chow & Co. in Association with Commerce & Finance Law Offices** 3401, Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* **JunHe LLP** 26/F HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No.1) Shanghai 200041 PRC

Auditor and Reporting Accountants	**ZHONGHUI ANDA CPA Limited** 23/F Tower 2 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Kowloon, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road, Xuhui District Shanghai PRC
Independent Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F One Taikoo Place No. 979 King's Road, Quarry Bay Hong Kong
Compliance Adviser	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Receiving Bank	**China CITIC Bank International Limited** 61–65 Des Voeux Road Central Central Hong Kong

Registered office in the Cayman Islands	PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Corporate headquarters	Room 201, 2/F No.1001, Qinzhou North 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
Company's website	www.ruichang.com.cn *(The contents on this website do not form part of this prospectus)*
Joint Company Secretaries	Mr. FU Cong (付聰) Room 201, 2/F No.1001, Qinzhou North Road Xuhui District Shanghai, PRC Mr. LEE Chung Shing (李忠成) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Authorised representatives	Mr. LU Bo (陸波) Room 201, 2/F No.1001, Qinzhou North Road Xuhui District Shanghai, PRC Mr. LEE Chung Shing (李忠成) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Audit Committee	Mr. TU Shenwei (塗申偉) *(Chairman)* Mr. ZHANG Shengjie (張晟杰) Mr. BAU Siu Fung (鮑小豐)
Remuneration Committee	Mr. TU Shenwei (塗申偉) *(Chairman)* Mr. ZHANG Shengjie (張晟杰) Mr. BAU Siu Fung (鮑小豐)

Nomination Committee	Mr. LU Bo (陸波) *(Chairman)* Mr. TU Shenwei (塗申偉) Mr. ZHANG Shengjie (張晟杰)
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 bankers	**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

The information and statistics set forth in this section and other sections in this prospectus have been derived from the F&S Report, prepared by F&S, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged F&S to prepare the F&S Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by our Company, or the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners or the Joint Lead Managers, the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent market research and consulting firm, to conduct an analysis of, and to prepare a report on China's petroleum refinery and petrochemical equipment market. We agreed to pay Frost & Sullivan a fee of RMB1,782,000 for the preparation of the F&S Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of such fee does not affect the fairness of conclusions drawn in the F&S Report. Founded in 1961, Frost & Sullivan has over 40 global offices and offers industry research and market strategies and provides growth consulting and corporate training.

RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the F&S Report included primary interviews and secondary research. Primary interviews are conducted with industry insiders, competitors, downstream customers and recognised third-party industry associations to obtain objective and factual data and prospective predictions. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from PRC government departments, and market research on industry and enterprise player information issued by our chief competitors.

BASES AND ASSUMPTIONS

The F&S Report was compiled based on independent market assessment through both primary and secondary research and the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade, as according to the National Bureau of Statistics and the International Monetary Fund (IMF), China's and the global nominal GDP is expected to maintain at a CAGR of 5.8% and 4.7% from 2023 to 2033; (ii) China's social, economic, and political environment is likely to remain stable from 2024 to 2028; and (iii) market drivers like growing macro economy, rising urbanisation process are likely to drive the growth of China's petroleum refinery and petrochemical equipment industry. According to the National Bureau of Statistics, the urbanisation rate in China increased from 59.6% in 2018 to 66.2% in 2023, and is expected to reach 73.5% in 2028. The increasing economy and rising urbanisation would improve peoples' living standards and thus fuel up Chinese peoples' demand for downstream products of China's petroleum refinery and petrochemical industry. Accordingly, the demand for petroleum refinery and petrochemical equipment industry is also expected to enjoy growth momentum. For detail analysis on industry market drivers, please see "Overview of Petroleum Refinery and Petrochemical Equipment Industry in China — Market drivers of China's petroleum refinery and petrochemical equipment industry market" in this section.

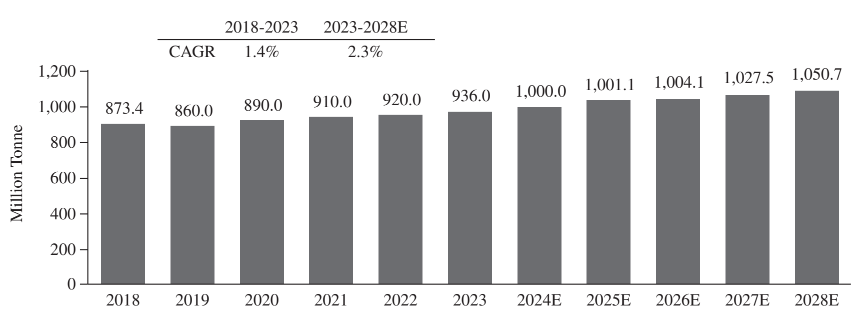
Our Directors confirmed that, after taking reasonable care and enquiries, there had been no material adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from F&S Report.

OVERVIEW OF PETROLEUM REFINERY AND PETROCHEMICAL INDUSTRY IN CHINA

According to OPEC (Organisation of the Petroleum Exporting Countries), the refinery capacity of China has increased from 873.4 million tonnes in 2018 to 936.0 million tonnes in 2023, representing a CAGR of approximately 1.4%. According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前二氧化碳達峰行動計劃》) issued by the State Council, China's petroleum refinery capacity is expected to reach 1,000 million tonnes a year by 2025. Going forward, driven by the strong domestic demand, the petroleum refinery capacity is forecast to grow to 1,050.7 million tonnes in 2028, with a rise of over 100 million tonnes from 2023.

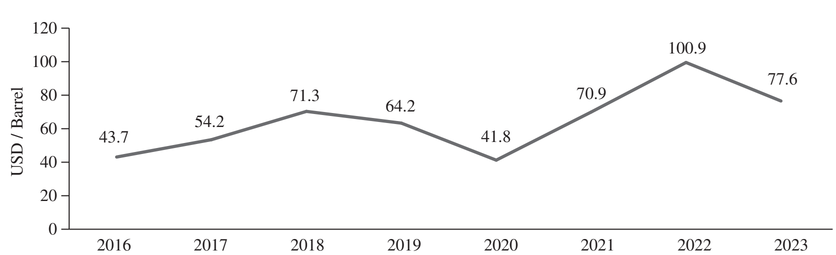
Petroleum Refinery Capacity (China), 2018–2028E



Source: OPEC, Ministry of Commerce of China, Frost & Sullivan Analysis

Despite brent oil price experienced a sharp drop of approximately 34.9% from USD64.2 per barrel in 2019 to USD41.8 per barrel in 2020, the petroleum refinery capacity increased by approximately 3.5% in the same year, indicating that the fluctuations of oil prices does not have direct correlation to the petroleum refinery capacity in China.

Brent Oil Price , 2016–2023



Source: Intercontinental Exchange, Frost & Sullivan Analysis

In the past several decades, the main concepts of petroleum refinery in China were safety, health and environmental protection, with the ideas of recycle economy and sustainable development. While currently, alone with the transformation and upgrade of domestic refinery and petrochemical industry, the main concepts have been changed to integrated, large-scale, clean, high value-added, and intelligent. The development of petroleum refinery and petrochemical industry in China are as follows:

Structural Transformation and Integration: The domestic petroleum refinery industry has been transformed and upgraded in recent years. "The 14th Five-Year Plan for Raw Materials Industry Development" (《"十四五"原材料工業發展規劃》) issued by the Ministry of Industry and Information Technology in December 2021 emphasised the transformation of quality, and efficiency for the petrochemical industry, promoting the development of the petrochemical industry. Though the domestic refinery capacity is rather large, the technology and equipment are spotty. Some of the refineries, especially small local refineries, are not able to fulfil the latest standards of energy consumption or gas emission. Outdated refinery capacity and plants with low efficiency are being replaced by large integrated advanced technologies gradually. Despite the replacement cycle of petroleum refinery and petrochemical equipment ranging from 10 to 20 years, it is estimated that around 5% to 10% of the existing capacity of the petroleum refinery will be updated in each year, thus, generating approximately over 40 million tonnes in each year with sustained and additional demand for petroleum refinery and petrochemical equipment. The transformation of petroleum refinery industry and the replacement of existing equipment ensures the continuous demand for petroleum refinery and petrochemical equipment.

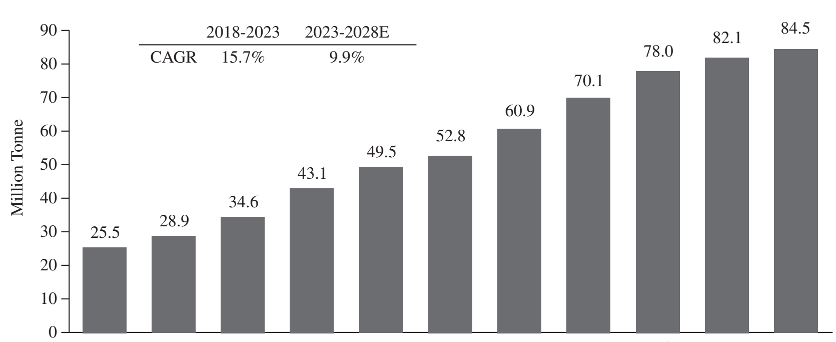
Additionally, alternative energy may possibly affect the demand for oil consumption as energy source, but the value chain of petroleum refinery and petrochemical industry is long and the demand for downstream petrochemicals has limited threat from alternative energy. To face the challenge from alternative energy, petroleum refinery projects who has limited production capacity of petrochemical would also actively seek opportunity to further extend its value chain to establish its own production capacity of petrochemicals such as ethylene, which may bring higher margin than refined oil products. According to public information, there are at least over 70 million tonnes of petroleum refinery capacity to be implemented by 2025 and the production capacity of ethylene is expected to reach approximately 85 million tonnes by 2028. Many of these projects were integrated projects including both petroleum refinery capacity and capacity of petrochemicals such as ethylene, which would have additional demand for petroleum refinery and petrochemical equipment comparing to the projects which only have petroleum refinery capacity. The following table set forth key refinery and petrochemical integration projects from 2023 to 2026:

Project	**Scale**	**Year of commencement**	**Total investment**
Shandong Yulong Island refining and chemical integration project (phase I) (山東裕龍島煉化一體化項目) (一期)	Petroleum refinery capacity: 20 million tonnes Ethylene capacity: 3 million tonnes	2023	RMB127.4 billion
Zhenhai Refining & Chemical oil refining and high-end synthetic new material projects (鎮海煉化煉油和高端合成新材料項目)	Petroleum refinery capacity: 11 million tonnes	2023	RMB14.5 billion

Project	Scale	Year of commencement	Total investment
Fine chemicals and raw material engineering projects (精油化工及原料工程項目)	Petroleum refinery capacity: 15 million tonnes Ethylene capacity: 1.63 million tonnes	2024	RMB83.7 billion
Daxie Petrochemical reconstruction and expansion project (phase V) (大榭石化改建及擴充項目) (五期)	Petroleum refinery capacity: 6 million tonnes	2024	Not disclosed
Inner Mongolia Baofeng Coal Chemical Project (內蒙古寶豐煤化工項目)	Coal to olefins capacity: 2.6 million tonnes	2024	RMB47.8 billion
Gulei refining and chemical integration project (phase II) (古雷煉化一體化項目) (二期)	Petroleum refinery capacity: 16 million tonnes Ethylene capacity: 1.2 million tonnes	2025	RMB73.3 billion
Huizhou Phase III Refining and Chemical Integration Project (惠州三期煉化一體化項目)	Petroleum refinery capacity: 6.5 million tonnes Ethylene capacity: 1.6 million tonnes	2026	RMB52.1 billion

Development of Petrochemical Industry: Ordinary saying, technical level and output of ethylene production indicates the development level of petrochemical industry. The ethylene industry is the core of the petrochemical industry and ethylene is one of the most basic raw materials used in the petrochemical industry. It is used to produce a wide variety of downstream petrochemical products, including, among others, polyethylene, polyvinyl chloride, polystyrene and ethylene glycol. Ethylene products account for more than 75% of petrochemical products with an important position in the national economy. The world has taken ethylene production as one of the important symbols to measure the development level of a country's petrochemical industry.

Production Capacity of Ethylene (China), 2018–2028E



Source: OPEC, Frost & Sullivan Analysis

The rapid development of the PRC economy in recent years has led to a strong growth in the demand for ethylene. Between 2018 and 2023, the demand of ethylene in the PRC increased from 47.2 million tonnes to 69.4 million tonnes, representing a CAGR of approximately 8.0%; the production of ethylene in the PRC also increased from 23.5 million tonnes to 46.8 million tonne for the same period, representing a CAGR of approximately 14.8%. The strong growth in demand and supply has driven the investments in the ethylene industry. The PRC has become the world's second largest ethylene producer behind the United States. According to the statistics of authorities, the self-sufficient rate of ethylene in the PRC is approximately 67.4% in 2023 which is lower than that of the United States of 100%. The domestic petrochemical industry has fallen far behind those in developed countries. Considering that petrochemical industry is one the major fundamental industries with market size exceed trillion in RMB. From 2018 to 2023, the production capacity of ethylene increased from 25.5 million tonnes to 52.8 million tonnes. Looking forward, the demand of ethylene is expected to increase to 90.8 million tonnes by 2028, representing a CAGR of approximately 5.5% from 2023 to 2028. In order to fulfil the accelerating demand of downstream industries in the future, the production capacity of ethylene is expected to have a further rise with a CAGR around 9.9%, reaching approximately over 84 million tonnes by 2028, bringing about rising demand for corresponding equipment. The production of other petrochemical products such as propylene is also expected to grow as well. In order to reduce costs of production and raw material, diversify output items and respond flexibly to changes in demand, refineries are transforming to integrated refinery-petrochemical production, providing a huge potential market for petroleum refinery and petrochemical equipment industry.

OVERVIEW OF PETROLEUM REFINERY AND PETROCHEMICAL EQUIPMENT INDUSTRY IN CHINA

Petroleum refinery and petrochemical equipment include process equipment and equipment for public utilities and auxiliary utilities. Process equipment include static equipment such as furnaces with process burners, heat exchangers, columns, reactors and others, and rotating equipment such as pumps impellers, shafts and others. Equipment for public utilities and auxiliary utilities include SRU (Sulfur recovery unit) and VOCs (Volatile organic compounds) incineration equipment, feed water and drainage system and others. Major equipment includes but not limited to:

SRU and VOCs incineration equipment: SRU refers to the equipment that operate the conversion of hydrogen sulfide to elemental sulfur. VOCs incineration equipment is used to eliminate VOCs. Both are used in auxiliary utilities to protect the environment.

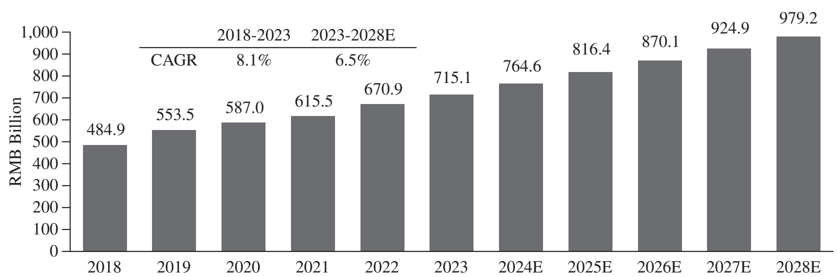
Catalytic cracking equipment: Catalytic cracking equipment are used in petroleum refinery process or methanol to olefin (MTO) reactions to catalyse the procedures.

Process burners: Process burner operates in heaters and furnaces to generate heat energy in the refining, petrochemical and chemical processes. Low NOx Burner are now required in many regions considering environmental issues.

Waste heat recovery unit (WHRU): an energy recovery heat exchanger that transfers heat from process outputs at high temperature to another part of the process. It makes industrial processes more efficient by capturing and re-using heat energy.

The market of petroleum refinery and petrochemical equipment in China is a large market, including various static and rotating equipment. The market size of petroleum refinery and petrochemical equipment in China increased from RMB484.9 billion in 2018 to RMB715.1 billion in 2023, representing a CAGR of approximately 8.1%. With the growing petroleum refinery capacity and rapid development of petrochemical industry in China, the market is forecast to grow at a CAGR of approximately 6.5% from 2023 to 2028, reaching RMB979.2 billion in 2028.

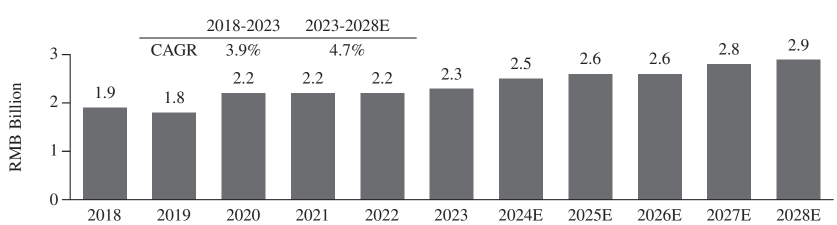
Petroleum Refinery and Petrochemical Equipment (China), 2018–2028E



Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

SRU and VOCs incineration equipment used in petroleum refinery and petrochemical operation increased from RMB1.9 billion in 2018 to RMB2.3 billion in 2023. The market is mainly driven by the expanded refinery capacity, the replacement of small inefficient capacity by large advanced equipment of petroleum refinery and the development of domestic petrochemical industry. The market is expected to grow to RMB2.9 billion in 2028, with a CAGR of approximately 4.7% from 2023 to 2028.

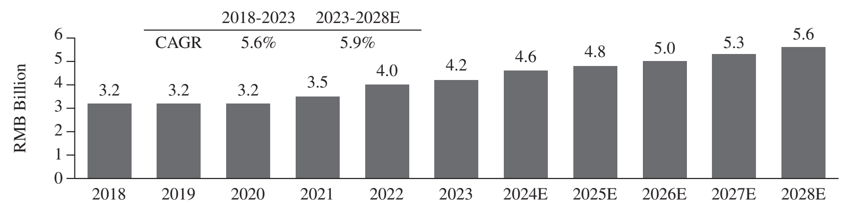
SRU and VOCs Incineration Equipment used in Petroleum Refinery and Petrochemical Operation (China), 2018–2028E



Source: Ministry of Ecology and Environment of China, Frost & Sullivan Analysis

Methanol to Olefins (MTO) refers to the process used to convert methanol to products such as olefins and gasoline. Catalytic cracking equipment are used to catalyse the process of petroleum refinery or MTO reaction. MTO capacity is regarded as the backup of crude oil due to the consideration of national energy security. MTO equipment is a relatively ascent market in China and is the major driver of catalytic cracking equipment. The market size of catalytic cracking equipment is RMB4.2 billion in 2023, almost half of the market is contributed by MTO equipment.

Catalytic Cracking Equipment used in Petroleum Refinery and Petrochemical Operation (China), 2018–2028E

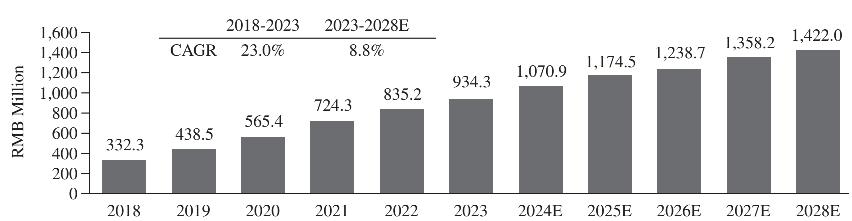


Source: Sinopec Research Institute, Frost & Sullivan Analysis

The market size of process burner for petroleum refinery and petrochemical operation increased from RMB332.3 million in 2018 to RMB934.3 million in 2023, representing a CAGR of approximately 23.0% from 2018 to 2023. The market is highly relevant to the growth of petroleum refinery capacity and petrochemical production capacity. The major driving force was the fast growing capacity of domestic ethylene production.

Going forward, with the growing petroleum refining capacity and rapid development of petrochemical industry in China, the market of process burner is likely to grow to RMB1,422.0 million in 2028, representing a CAGR of approximately 8.8% from 2023 to 2028.

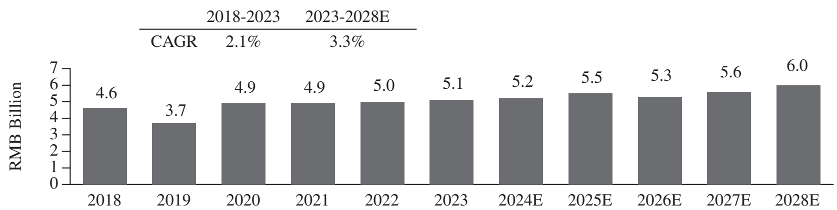
Process Burner used in Petroleum Refinery and Petrochemical Operation (China), 2018–2028E



Source: National Development and Reform Commission of China, Frost & Sullivan Analysis

Heat exchanger is a main equipment in WHRU. The market increased from RMB4.6 billion in 2018 to RMB5.1 billion in 2023, and is forecasted to be stable in the next several years due to the steady growth of petroleum refinery and petrochemical industry.

Heat Exchanger used in Petroleum Refinery and Petrochemical Operation (China), 2018–2028E



Source: China Petroleum and Chemical Industry Federation, Frost & Sullivan Analysis

Market Drivers of China's Petroleum Refinery and Petrochemical Equipment Industry Market

Favourable Policy Environment: To ensure a sound development of the petroleum refinery and petrochemical industry, the Chinese government has issued several policies and regulations, such as the Plan for Petrochemical and Chemical Industry from 2016 to 2020 (《石化和化學工業發展規劃(2016–2020年)》) released by the Ministry of Industry and Information Technology, the Announcement on Implementing the Catalogue for Guiding Industry Restructuring (2019 Version) (《產業結構調整指導目錄(2019年本)》) issued by National Development and Reform Commission in 2019, the Guiding Opinion on Promoting High-quality Development of the Petrochemical Industry during the 14th Five-Year Plan Period (《"十四五"推動石化化工行業高質量發展的指導意見》) in 2022 issued by six departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Ecology and Environment and the Emergency Response Department and the National Energy Administration, and the Guiding Opinion of the National Development and Reform Commission and Other Departments on Promoting Green Innovation and High-quality Development of the Petroleum Refinery Industry (《國家發展改革委等部門關於促進煉油行業綠色創新高質量發展的指導意見》) (collectively "**Guiding Opinions**"), in 2023.

The Guiding Opinions aim to drive the growth of China's petroleum refinery and petrochemical equipment industry market from the following aspects:

(i) **Technological innovation and facilities upgrade:** emphasises on the needs for technological innovation and facilities upgrade, which encourages the gradual replacement of outdated refinery capacity and plants with low efficiency by large integrated advanced technologies. For example, atmospheric pressure vessels with a capacity of 2 million tons per year or below are required to phase out and replaced by advanced facilities.

(ii) **Optimisation of industrial layout:** emphasises on the optimisation of the layout of petroleum refinery capacity and the promotion of an orderly concentration of new petroleum refinery projects into petroleum refinery and petrochemical industry bases. In response to this directive, the Shandong Yulong Island Refining and Chemical Integration Project (山東裕龍島煉化一體化項目) is under construction with an estimated investment of approximately RMB127.4 billion. It involves the construction of petroleum refinery capacity of 20 million tons per year and ethylene capacity of 3 million tons per year.

(iii) **Green and low-carbon development:** It is expected that the energy consumption and carbon emissions per unit of bulk products will be significantly reduced, and the total emission of volatile organic compounds will be reduced by more than 10% by 2025. In response to this directive, it requires the installation of advanced pollution control equipment like flue gas desulfurisation systems or catalytic converters, creating market opportunities for manufacturers of such equipment. Also, the government has increased the environmental administrative penalty over the past few years. The average fines per environmental administrative penalty had increased from RMB38.1 thousand in 2014 to RMB78.8 thousand in 2023, according to the data from the Ministry of Ecology and Environment of China.

Overall, the implementation of the Guiding Opinions stimulates demand for advanced equipment, green technologies and environmental protection measures, which in turn encourages investments in upgrading existing facilities and the development of new infrastructures, driving market growth and providing opportunities for equipment manufacturers and suppliers in the industry.

While the Guiding Opinions set out the overall direction for the industry's development, the specific details of financial support, tax incentive and other forms of assistance are generally be implemented at the local or regional level based on the local policies and regulations. The local governments and authorities in China often have the flexibility to design and implement supporting measures that align with the broader national policy objectives. The PRC government generally provides support by offering (i) subsidies and grants; (ii) tax incentives and exemptions, or reduction on corporate income tax; (iii) funding for research and development activities; and (iv) land and infrastructure supports, such as offering assistance in securing suitable land in designated chemical parks at favourable terms. Overally, the PRC government's financial support aims to alleviate the costs and encourage enterprises to comply with the policies objective outlined in the Guiding Opinions. For instance, Tianjin Development and Reform Commission issued notice on "Several Policies and Measures to Support the High-Quality Development of the Green Petrochemical Industry Chain" ("關於支持綠色石化產業鏈高質量發展待若干政策措施"的通知) in March 2023, stating to increase financial support to the transformation and upgrade of petrochemical industry chain.

Growing Petrochemical Industry: Petrochemical products are widely used in various downstream applications such as packaging, textile, household appliance, automobile, architecture, etc. The stable growth of China's macroeconomy, the increasing disposable income and the upgrading consumption level of domestic residents have spurred the downstream manufacturing industries and boomed the upstream petrochemical industry, which ensure the demand and growth of petrochemical equipment.

Higher Preference of Domestic Brands: According to Frost & Sullivan's analysis, the market size of petroleum refinery and petrochemical equipment industry had increased from RMB484.9 billion in 2018 to RMB715.1 billion in 2023. With sufficient investment in research and development, the quality of domestic brands have been largely improved. Products of domestic brands have caught up with foreign products in terms of the quality and technology applied. With high cost performance, domestic products are now gaining higher preference among downstream customers.

Industry Tends to Increase Concentration: The future market concentration of the petroleum refinery and petrochemical equipment industry in China is expected to undergo changes in the coming years. As the demand for energy continues to rise, the industry is likely to become more consolidated as larger companies acquire smaller ones in order to gain access to new technologies, markets, and resources. As the market develops and changes, consumers tend to purchase products from larger and well-known brands, as these brands have higher reliability and credibility. This also makes it easier for larger companies to gain more market share, thus increasing market concentration. Therefore, these factors have led to the increasing concentration of the petroleum refinery and petrochemical equipment industry, with more market share being occupied by larger companies.

Opportunities, Threats and Challenges of China's Petroleum Refinery and Petrochemical Equipment Industry

Growing Awareness of Environment Protection: As environment issues has become an ever-serious concern in China, the PRC government and consumers have gained a higher awareness of environment protection. In March 2018, the Ministry of Finance released the Report on the Execution of the Central and Local Budgets for 2018 and on the Draft Central and Local Budgets for 2019 (《關於2018年中央和地方預算執行情況與2019年中央和地方預算草案的報告》) and emphasised the promotion of pollution-free heating in Northern area. The promotion of clean energy and pollution-free heating system may accelerate the application of equipment, which has long been used for environment protection in thermal power plant, petroleum refinery and petrochemical industry.

Expanding Domestic Market and Growing Overseas Demand: National strategies such as "One Belt, One Road" Initiative is aimed to increase economic co-operation and manufacturing and infrastructure investments among countries along the Silk Road Economic Belt and the 21st Century Maritime Silk Road that connect Asia, Europe and Africa. The Belt and Road countries have been continuously strengthening industrial investments and cooperation with China. In the future, the demand for petroleum refinery and petrochemical equipment in the countries and regions along the Belt and Road is expected to increase, which provides huge market space for China petroleum refinery and petrochemical equipment manufacturing industry and bring overseas opportunities to domestic manufacturers.

Stricter Supervision: The supervision of environmental issues has become stricter since the adoption of the Environmental Protection Law of the People's Republic of China (2014 Revision) (《中華人民共和國環境保護法(2014修訂)》). According to the data from the Ministry of Ecology and Environment of China, the average fines per environmental administrative penalty had increased from RMB38.1 thousand to RMB78.8 thousand from 2014 to 2023. In order to fulfil the requirements of environmental compliance, domestic manufacturers must invest heavily in the innovation, which might result in the withdraw of small, inefficient, less environment-friendly, and technical backwardness players, sparing the market share to those players with more sustainable competitiveness.

The Impact of Renewable Energy Sources: Chinese government is encouraging the development of renewable energy source in recent years. Although the trend of renewable energy sources replacing traditional crude oil presents challenges for the petroleum refinery and petrochemical equipment industry, crude oil will still occupy an important portion of the energy market in the foreseeable future. Therefore, there is still market space for petroleum refinery and petrochemical equipment manufacturers. Manufacturers can adapt to these challenges by transforming and diversifying, innovating technologically, seizing opportunities in long-term energy demand and growth in the natural gas market, as well as collaborating and forming alliances with other energy industries. In this way, petroleum refinery and petrochemical equipment manufacturers still have the opportunity to adapt to market changes and enhance their competitive position through transformation, innovation, and cooperation.

Competitive Landscape of Petroleum Refinery and Petrochemical Equipment Industry

China's overall petroleum refinery and petrochemical equipment market is fragmented with over 40,000 petroleum refinery and petrochemical equipment manufacturers in the market in 2023 and there is over a hundred types of petroleum refinery and petrochemical equipment. The market share of each of the Group's product categories represented a relatively small subset of the overall petroleum refinery and petrochemical equipment in the PRC.

The market of SRU and VOCs incineration equipment manufacturers in petroleum refinery and petrochemical operation in China is fragmented, with top five market players accounted for approximately 16.0% of the total market in term of revenue. There are around 1,000 players in the market. The Group ranked at the second place and accounted for approximately 3.4% of the market in 2023.

Top 5 SRU and VOCs Incineration Equipment Manufacturers in Petroleum Refinery and Petrochemical Operation in China by Revenue, 2023

Ranking	Company name	Company type	Listed? *(Yes/No)*	Market share *(%)*
1	Company A	Foreign-invested	No	6.4
2	Our Group	Privately-owned	N/A	3.4
3	Company B	Privately-owned	No	3.2
4	Company C	Privately-owned	No	1.7
5	Company D	Foreign-invested	No	1.3
Top 5				**16.0**
Others				**84.0**
Total				**100.0**

Source: The data of the Group comes from the Group, industry specialist interview, Frost & Sullivan

Notes:

(1) Company A is an international company founded in 1979 with headquartered in Oklahoma, the United States. It provides products and services of burners, furnaces and other combustion and environmental solutions. This company has more than 2,000 employees.

(2) Company B is a privately-owned company belonging to China Aerospace Science and Technology Corporation. The company was founded in 1991, and is mainly engaged in services and product manufacturing of gasifier burners, ejectors, industrial burners, special valves, etc. This company has approximately 5,000 employees.

(3) Company C is a private local manufacturer founded in 2006 and located in Jiangsu province, the PRC. The major products of the company includes process burners, furnaces and other auxiliary equipment. This company has nearly 2,000 employees.

(4) Company D is an international company founded in 1919 and located in Netherland. This company is specialised in process combustion solutions. Their roots have remained firmly embedded in the petrochemical sector. This company has over 100 employees.

The market of catalytic cracking equipment manufacturers in petroleum refinery and petrochemical operation in China is fragmented, with top five market players accounted for approximately 33.2% of the total market in term of revenue. There are around 1,000 players in the market. The Group accounted for approximately 7.6% of the market in 2023, ranking at third place.

Top 5 Catalytic Cracking Equipment Manufacturers in Petroleum Refinery and Petrochemical Operation in China by Revenue, 2023

Ranking	**Company name**	**Company type**	**Listed?** *(Yes/No)*	**Market share** *(%)*
1	Company E	Stated-owned	No	8.7
2	Company F	Privately-owned	No	7.7
3	Our Group	Privately-owned	N/A	7.6
4	Company G	Privately-owned	No	6.0
5	Company H	Sino-foreign joint venture	No	3.2
Top 5				**33.2**
Others				**66.8**
Total				**100.0**

Source: The data of the Group comes from the Group, industry specialist interview, Frost & Sullivan

Notes:

(1) Company E was established with Lanzhou Refinery Plant and was founded in 1960s and is located in Gansu province, the PRC. It focuses on the manufacturing of flue gas turbines, special valves and other professional equipment. This company has nearly 700 employees.

(2) Company F was founded in 1998 and is located in Liaoning province, the PRC. The major products of the company include FCC (Fluid Catalytic Cracking) and related equipment, including triple cyclone, small cyclone and external heat collector. This company has nearly 800 employees.

(3) Company G was founded in 2001 and is located in Jiangsu province, the PRC. This company manufactures columns, heating exchangers, reactors, tanks, cyclone separators, and other pressure vessels, and conducts businesses across worldwide. This company has over 300 employees.

(4) Company H is a joint venture founded in 2003 and located in Zhejiang province, the PRC. This company's line of business includes the manufacturing of hydraulic and pneumatic fluid power pumps and motors. This company has over 400 employees.

The market of process burner manufacturers in petroleum refinery and petrochemical operation in China is relatively concentrated, with top five market players accounted for approximately 46.3% of the total market in term of revenue. There are around 200 players in the market. The Group ranked at the third place with a market share of approximately 14.1% in 2023.

Top 5 Process Burner Manufacturers in Petroleum Refinery and Petrochemical Operation in China by Revenue, 2023

Ranking	**Company name**	**Company type**	**Listed?** *(Yes/No)*	**Market Share** *(%)*
1	Honeywell International Inc.	Foreign-invested	Yes	15.2
2	Our Group	Privately-owned	N/A	14.1
3	Company C	Privately-owned	No	7.2
4	Company A	Foreign-invested	No	5.3
5	Company J	Foreign-invested	No	4.5
Top 5				**46.3**
Others				**53.7**
Total				**100.0**

Source: The data of the Group comes from the Group, annual report, Frost & Sullivan

Notes:

(1) Honeywell International Inc. is an international listed company founded in 1906 and headquartered in North Carolina, the United States. It primarily operates in aerospace, building technologies, performance materials and technologies, and safety and productivity solutions. This company has approximately 110 thousand employees worldwide. In 2023, the company's revenue reached USD36.7 billion.

(2) Company J is a private company founded in 2016 and located in Hunan province, the PRC. It provides process burners, furnaces and other equipment. This company has approximately 100 employees.

The market of heat exchanger manufacturers in petroleum refinery and petrochemical operation in China is relatively concentrated, with top five market players accounted for approximately 57.6% of the total market. The Group accounted for approximately 0.7% of the market in 2023.

Top 5 Heat Exchanger Manufacturers in Petroleum Refinery and Petrochemical Operation in China by Revenue, 2023

Ranking	**Company name**	**Company type**	**Listed?** *(Yes/No)*	**Market share** *(%)*
1	Lanzhou Ls Heavy Equipment Co., Ltd.	Stated-owned	Yes	26.9
2	Company L	Sino-foreign joint venture	No	13.4
3	Gansu Lanke Petrochemical Hi-Tech Equipment Co., Ltd.	Stated-owned	Yes	7.7
4	Alfa Laval Inc.	Sino-foreign joint venture	Yes	5.8
5	Company O	Privately-owned	No	3.8
Top 5				**57.6**
Others				**42.4**
Total				**100.0**

Source: The data of the Group comes from the Group, annual report, Frost & Sullivan

Notes:

(1) Lanzhou Ls Heavy Equipment Co., Ltd. was founded in 2001 and went public in 2014. The company is located in Gansu province, the PRC. Its major businesses include the manufacturing of petrochemical equipment, new energy equipment and industrial intelligent equipment such as industrial robot. This company has nearly 4,000 employees. In 2023, the company's revenue reached RMB5.2 billion.

(2) Company L was founded in 1986 and is located in Jilin province, the PRC. It focuses on the manufacturing of heat exchangers and providing heat exchangers solutions in China's cleantech industry. This company has approximately 500 employees.

(3) Gansu Lanke Petrochemical Hi-Tech Equipment Co., Ltd. was founded in 1960 and is located in Gansu province, the PRC. Its major products include surface evaporative air coolers, heat exchangers, bimetallic composite corrugated fin tubes, flanging open nozzles, etc. This company has over 1,000 employees. In 2023, the company's revenue reached RMB1.1 billion.

(4) Alfa Laval Inc. is a Swedish company founded in 1883. The company is a global supplier of products and solutions for heat transfer, separation and fluid handling through heat exchangers, separators, pumps and valves. This company has approximately 18,000 employees worldwide.

(5) Company O was founded in 1963 and is located in Jilin province, the PRC. It focuses on the manufacturing of heat exchangers and pressure vessel products. This company has over 450 employees.

Entry Barriers Analysis

Technical Barrier: The petroleum refinery and petrochemical equipment market is highly technology-intensive. Due to the stricter supervision, the petroleum refinery and petrochemical enterprises are requiring efficient and environmental friendly equipment with high quality. Advanced professional equipment and technology are needed in order to meet the requirements. It is difficult for new entrants to construct perfect technical system and recruit sufficient technical personnel in a short period.

Capital Requirement: Leading and large market players in the petroleum refinery and petrochemical equipment market usually have strong capital strength. As petroleum refinery and petrochemical equipment is generally large-sized and high-technical equipment, companies in the market should have enough capital base to support the establishment of factories as well as daily operation. New entrants with weak capital strength is hard to compete with market leaders and support the operation.

Good Relationships with Customers: Leading players generally have established stable and wide customer network. Downstream customers such as petroleum refineries and petrochemical products manufacturers are more likely to keep long cooperation relationships with leading and well-known manufacturers with high quality products and services. The experienced and well-trained marketing teams are also specialised in business development in the market, especially in the overseas market. It is difficult for new entrants to compete with existing players with good customer relationships.

Market Reputation: Petroleum refinery and petrochemical equipment is important in the industries of petroleum refinery and petrochemical manufacturing. Therefore, to ensure the safety of operation, clients are more willing to cooperate with the brands with higher awareness and good business experience. Existing leading players generally have established well-known names through long-term production practice. It is rather difficult for new entrants to build brand recognition in a short time. At the same time, with the development of the industry, higher after-sales service are demanded for customers, making it more difficult for new players to compete with existing ones with design capability and full-life services.

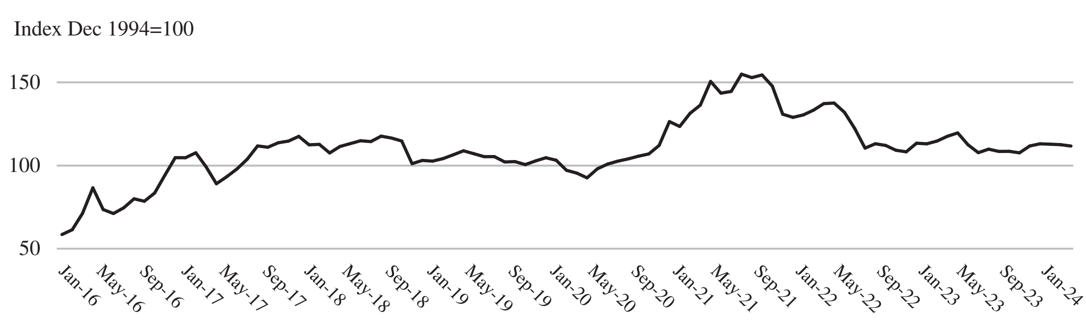
Major Cost Analysis of Petroleum Refinery and Petrochemical Equipment Market

Steel materials

Steel plate is the major materials used for production of petroleum refinery and petrochemical equipment. The price of primary steel products is decided by its manufacture cost, the cost breakdown includes iron ore, coking coal, power, etc., among which, the contribution of iron ore is over 80%. Other factors might include macroeconomy, supply and demand dynamic, international trading activities, etc. After the upward trend from January 2016 to September 2021, the steel price slightly drop from October 2021. There are several reasons for the significant increase in price index of overall steel plate in 2021, (i) affected by the sharp rise in the prices of raw materials such as iron ore and coking coal, the price of steel increased rapidly; (ii) along with the economy's recovery, the construction industry has begun to resume, and the steel demand has gradually recovered. In particular, driven by the rapid increase in demand for various infrastructures, the price of steel has gradually increased; (iii) in April 2021, the Customs Tariff Commission of the State Council stated that the import and export of steel tariff adjustment policy were implemented, aiming to guide the steel industry to reduce crude steel production. In May 2021, the Measures for the Implementation of the Replacement of Production Capacity in the Steel Industry (《鋼鐵行業產能置換實施辦法》) was issued by the Ministry of Industry and Information Technology. The proportion of steel production capacity replacement has been significantly decreased. The reasons for the decrease in the steel price from October 2021 are the supply of steel plate had been resumed and the demand has become more stable.

Going forward, in line with the development of the macro economy and relevant industry, the price index of overall steel plate is likely to maintain at a stable level in the next years.

Price Index of Overall Steel Plate (China), 2016–2024.03



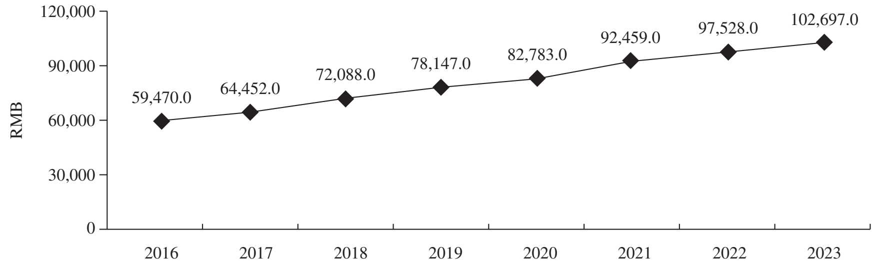
Source: China Iron & Steel Association

Wages

China's petroleum refinery and petrochemical equipment industry has a strong demand for manufacturing talents. Average wage of employed persons in manufacturing industry in China had increased from approximately RMB59,470.0 per year in 2016 to approximately RMB102,697.0 in 2023 at a CAGR of 8.1% in China.

Going forward, in line with the development of macro economy and manufacturing industry, the average annual salary of employees is likely to keep growing in the next few years.

Average Wages of Urban Employees in Manufacturing Industry (China), 2016–2023



Source: The National Bureau of Statistics of China

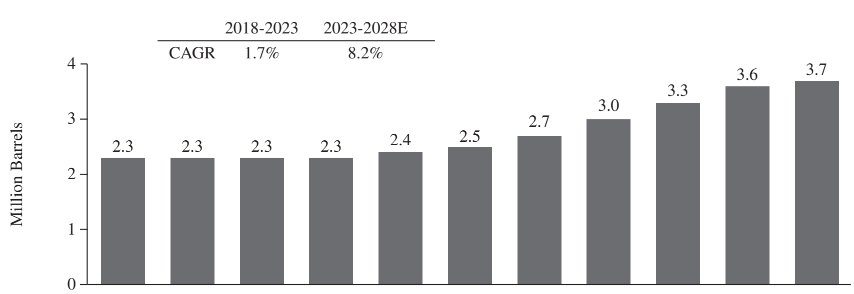
Oversea market

The world oil refinery capacity increased from 99.1 million b/d (barrel/day) in 2017 to 101.8 million b/d in 2022, representing a CAGR of approximately 0.5% during the period, according to OPEC. The PRC government's "One Belt, One Road" Initiative, which aims to help and build infrastructure in participating countries and encourage international trade, is expected to have positive impact on the PRC's manufacturing industry in general and bring overseas opportunities to PRC manufacturers. The oil refinery capacity of "One Belt, One Road" countries increased from 30.2 million b/d in 2017 to 33.0 million b/d in 2022, with a CAGR of 1.8% and is expected to reach 35.7 million b/d in 2027, at a CAGR of 1.6% since 2022.

Brazil market

Brazil's refining capacity in 2023 was 2.5 million barrels per day, far below its crude oil production of 3.5 million barrels per day in the same year. This forced Brazil to import refined products to meet its domestic demand. However, Brazil has taken some measures to expand its oil refining capacity and reduce its reliance on imported fuels. These measures will also enhance its trade balance and efficiency and competitiveness in the oil and gas sector. For instance, Brazil's 2021–2031 Energy Expansion Plan anticipates that the country's oil production will soar to 5.2 million barrels of oil per day by 2031. Furthermore, Petrobras launched the Refinery Divestment Program in 2019, following an agreement with the antitrust authority Cade. This program aims to sell some of Petrobras' refineries and foster a more competitive and dynamic market for refining in Brazil. These developments indicate that Brazil's oil refining market has a bright future. The petroleum refinery and petrochemical equipment market is relatively fragmented.

Petroleum Refinery Capacity (Brazil), 2018–2028E



Source: Bnamericas, Frost & Sullivan Analysis

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which was promulgated by the National People's Congress on 15 March 2019 and became effective on 1 January 2020, the PRC implements the management scheme of pre-establishment national treatment along with a negative list with respect to foreign investment. The National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") promulgated the Special Administrative Measures for Admission of Foreign Investments (Negative List) (2021 version) (外商投資准入特別管理措施(負面清單)(2021年版)) on 27 December 2021, which came into effect on 1 January 2022. Foreign investors shall not invest in any field where investment is prohibited by the Negative List for foreign investment access. For any field where investment is restricted by the Negative List for foreign investment access, foreign investors shall meet the investment conditions stipulated under the Negative List. Any field that does not fall within the Negative List shall be administered under the principle of consistency between domestic and foreign investment. The organisation form, institutional framework and standards of conduct of a foreign-funded enterprise shall be subject to the provisions of the Company Law of the PRC (中華人民共和國公司法), the Partnership Enterprise Law of the PRC (中華人民共和國合夥企業法) and other applicable laws. Upon the Foreign Investment Law coming into effect, the Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法), the Law on Sino-Foreign Contractual Joint Ventures of the PRC (中華人民共和國中外合作經營企業法) and the Law on Wholly Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法) were repealed simultaneously. Foreign-invested enterprises established before the Foreign Investment Law coming into effect may retain their original forms of organisation within five years after the Foreign Investment Law comes into effect.

According to the Measures for Reporting of Information on Foreign Investment (外商投資信息報告辦法) promulgated by the MOFCOM and the State Administration for Industry and Commerce (the "**SAIC**") on 30 December 2019, which became effective on 1 January 2020, foreign investors or foreign-invested enterprises shall submit their investment information to the competent commerce authorities through the enterprise registration system and the National Enterprise Credit Information Publicity System. The market regulatory authorities shall promptly notify the competent commerce departments of the investment information submitted by the abovementioned foreign investors and foreign-invested enterprises. The MOFCOM shall establish a foreign investment information reporting system to receive and process investment information promoted by market regulators and information shared between departments in a timely manner. When a foreign investor applies for the registration of the establishment of a foreign-invested enterprise within the territory of the PRC, it shall submit an initial report through the enterprise registration system. In case of any change in the initial report, including the registration (filing) of the change of the enterprise, the foreign-invested enterprise shall submit the change report through the enterprise registration system when applying for the change (filing). If the enterprise alteration registration (filing) is not involved, the foreign-invested enterprise shall submit the alteration report through the enterprise registration system within 20 working days after the alteration occurs.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Patent Law

Patents are protected by the Patent Law of the PRC (Revised in 2020) (中華人民共和國專利法(2020年修訂)) which was promulgated by the National People's Congress Standing Committee on 12 March 1984 and subsequently amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, respectively, and the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則) which was promulgated by the State Council on 15 June 2001, last amended on 11 December 2023 and came into effect on 20 January 2024. In China, inventions and creations include inventions, utility models and designs.

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (Revised in 2019) (中華人民共和國商標法(2019年修訂)) which was promulgated by the National People's Congress Standing Committee on 23 August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, respectively as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on 3 August 2002 (Revised in 2014) (中華人民共和國商標法實施條例(2014年修訂)) and amended on 29 April 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

Administrative Measures on Internet Domain Names

Internet domain names are protected by the Administrative Measures on Internet Domain Names (互聯網域名管理辦法) which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017. Where domain name root servers and domain name root server operating bodies, domain name registration management bodies and domain name registration service bodies are established within the territory of China, corresponding licences shall be obtained from the Ministry of Industry and Information Technology or the communications administration bureaus of provinces, autonomous regions and municipalities directly under the Central Government.

LAWS AND REGULATIONS RELATING TO THE DESIGN AND MANUFACTURE OF SPECIAL EQUIPMENT

According to the Standardisation Law of the PRC (中華人民共和國標準化法(2017年修訂)) which was promulgated by the National People's Congress Standing Committee on 29 December 1988 and amended on 4 November 2017, enterprises that produce or sell products that do not meet the mandatory standards, or do not meet the technical requirements of their public standards, shall bear civil liability in accordance with the law, and if they constitute a crime, shall be investigated for criminal liability in accordance with the law.

According to the Law on Work Safety of the PRC (中華人民共和國安全生產法(2021年修訂)) which was promulgated by the National People's Congress Standing Committee on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021, enterprises that produce or sell products should have the laws, administrative regulations and national standards or industry standards for safe production conditions, those who do not meet the conditions for safe production shall not engage in production and business activities.

According to the Law on the Safety of Special Equipment of the PRC (中華人民共和國特種設備安全法), which was promulgated by the National People's Congress Standing Committee on 29 June 2013, the Special Equipment Safety Inspection Regulations (特種設備安全監察條例(2009年修訂)) which was promulgated by the State Council on 11 March 2003 and amended on 24 January 2009, and the Industrial Products Production Licence Management Regulations of the PRC (中華人民共和國工業產品生產許可證管理條例) which was promulgated by the State Council on 9 July 2005, last amended on 20 July 2023 and came into effect on 20 July 2023, enterprises producing or using special equipment should obtain a licence. The county level or higher local departments of the government should be responsible for the supervision and management of special equipment safety. Special equipment manufacturers should be developed and published safety specifications, the production of special equipment for its safety performance and energy efficiency indicators. Special equipment leaving the factory, should be accompanied by the design documents required by the safety specifications, product quality certification, installation and use of maintenance instructions, supervision and inspection certificate and other documents. Pressure vessel design unit shall be licenced by the State Council special equipment safety supervision and management departments.

According to the Pressure Vessel and Pressure Pipe Design Permit Rules (壓力容器壓力管道設計許可規則), Oil (Gas) Burner Safety Technology Rules (燃油(燃氣)燃燒器安全技術規則), Oil (Gas) Burner Type Test Rules (燃油(燃氣)燃燒器型式試驗規則) which were approved by the State General Administration of Quality Supervision, Inspection and Quarantine (now the State Administration of Market Supervision and Administration) on 8 January 2008 and implemented on 30 April 2008, the design of pressure vessels and pressure piping shall obtain a licence issued by the General Administration of Quality Supervision, Inspection and Quarantine (now the State Administration of Market Supervision and Administration). Engaged in pressure vessel and pressure piping design, design review and approval of personnel should be qualified by professional examination and obtain the appropriate qualifications. The design company for pressure vessels and pressure pipelines shall set the safety technical specifications and standards appropriate to the scope of the design. The design of oil (gas) burners shall be approved by the State General Administration of Quality Supervision, Inspection and Quarantine (now the State Administration of Market Supervision and Administration) and obtain a type test certificate.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法(2014年修訂)) which was promulgated by the National People's Congress Standing Committee on 26 December 1989 and amended on 24 April 2014, provides that the competent department of environmental protection of the people's government at or above the county level and the environmental inspection agencies entrusted to it and other departments with supervisory and administrative responsibilities for environmental protection shall have the right to conduct on-site inspections of enterprises discharging pollutants. If an enterprise discharges pollutants in violation of laws and regulations, causing or likely to cause serious pollution, the competent department of environmental protection of the people's government at or above the county level and other departments with supervisory and administrative responsibilities for environmental protection may seize or detain the facilities and equipment causing the discharge of pollutants. The Emergency Response Law of the PRC (中華人民共和國突發事件應對法) which was promulgated by the National People's Congress on 30 August 2007, provides that enterprises shall do a good job in risk control, emergency preparedness, emergency disposal and post-event recovery of environmental emergencies.

According to the Law on Prevention and Control of Air Pollution of the PRC (中華人民共和國大氣污染防治法(2018年修訂)) which was promulgated by the National People's Congress Standing Committee on 5 September 1987 and amended on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018, the Law on Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法(2017年修訂)) which was promulgated on 11 May 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法(2020年修訂)) which was promulgated on 30 October 1995 and amended on 29 December 2004, 29 June 2013, 24 April 2015, 7 November 2016 and 29 April 2020, the Law on the Promotion of Cleaner Production of the PRC (中華人民共和國清潔生產促進法(2012年修訂)) which was promulgated on 29 June 2002 and amended on 29 February 2012, the Law on the Promotion of Circular Economy of the PRC (中華人民共和國循環經濟促進法(2018年修訂))which was promulgated on 29 August 2008 and amended on 26 October 2018, and the Law on Energy Conservation of the PRC (中華人民共和國節約能源法(2018年修訂))which was promulgated on 1 November 1997 and amended on 28 October 2007, 2 July 2016 and 26 October 2018, enterprises that build, alter or expand projects that directly or indirectly affect the environment of the atmosphere or water should conduct environmental impact assessment and disclose environmental impact assessment documents in accordance with the law, and should build pollution prevention and control facilities and obtain emission permits in accordance with the law. Relevant departments of the governments at or above the county level supervise and inspect the work of enterprises in air pollution prevention and control, water pollution prevention and control, solid waste pollution prevention and control, promotion of cleaner production and implementation of energy conservation standards, and investigate and punish enterprises for violations of the law.

According to the Law on Environmental Impact Assessment (中華人民共和國環境影響評價法(2018年修訂)) which promulgated by the National People's Congress Standing Committee on 28 October 2002 and amended on 2 July 2016 and 29 December 2018, the Regulations on the Administration of Environmental Protection of Construction Projects (建設項目環境保護管理條例(2017年修訂)) which was promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and the Interim Measures for Environmental Protection Acceptance of Construction Projects on Completion (建設項目竣工環境保護驗收暫行辦法) which was promulgated by the Administrative of Environmental Protection on 20 November 2017, for the construction of projects that have an impact on the environment, environmental impact assessment shall be carried out in accordance with the law, environmental impact report/form or environmental impact registration form shall be prepared in accordance with the law according to the severity of the possible environmental impact, and the examination or filing procedures shall be completed. After the completion of the construction project, the construction unit shall truthfully check and monitor it Record the construction and commissioning of environmental protection facilities (if any) of construction projects, and prepare acceptance monitoring (investigation) reports.

Laws and Regulations Relating to Fire Control

According to the Fire Protection Law of the PRC (中華人民共和國消防法(2021年修訂)) which was promulgated by the National People's Congress Standing Committee on 29 April 1998 and amended on 28 October 2008, 23 April 2019 and 29 April 2021, for construction projects that require fire protection design in accordance with the national technical standards for engineering construction, the fire protection design review and acceptance system of construction projects shall be implemented, and the construction unit shall apply to the competent department of housing and urban-rural construction for fire control acceptance or record it in accordance with the law.

Laws and Regulations Relating to Customs

In accordance with the Foreign Trade Law of the PRC (中華人民共和國對外貿易法(2022年修訂)) which was promulgated by the National People's Congress Standing Committee on 12 May 1994 and amended on 6 April 2004, 7 November 2016 and 30 December 2022, and the Customs Law of the PRC (中華人民共和國海關法(2021年修訂)) which was promulgated on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016, 4 November 2017 and 29 April 2021. The Administrative Provisions of the PRC on the Administration of the Recordation of Customs Declarants (中華人民共和國海關報關單位備案管理規定) which was promulgated by General Administration of Customs on 19 November 2021, and the Measures for the Recordation and Registration of Foreign Trade Operators (對外貿易經營者備案登記辦法(2021年修訂)) which was promulgated by the MOFCOM on 25 June 2004 and amended on 10 May 2021, foreign trade operators engaged in the import and export of goods or technology shall go through the filing and registration of foreign trade operators with the competent department of foreign trade under the State Council or the institutions entrusted by them, and import and export goods shall truthfully declare to the customs, import and export licences and relevant documents shall be submitted thereto.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the PRC Foreign Currency Administration Rules (中華人民共和國外匯管理條例(2008年修訂)), promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, and various regulations issued by the State Administration of Foreign Exchange (the "**SAFE**") and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the PRC. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for the retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the PRC.

Pursuant to the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) promulgated on 26 January 2017, when conducting outward remittance of a sum equivalent to more than U.S.$50,000 to a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form.

On 5 January 2018, the People's Bank of China promulgated the Notice on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知) ("**Circular No. 3 2018**"), which supports enterprises to use RMB in cross-border settlement and requires that for the investment income such as profits and dividends legally obtained by overseas investors in China, banks shall review relevant materials as required before processing cross-border RMB settlement and ensure free remittance of profits of foreign investors in accordance with the law.

The SAFE promulgated Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) on 23 October 2019 and was amended on 4 December 2023, which cancelled restrictions on the domestic equity investment by non-investment foreign-funded enterprises with their capital funds. The non-investment foreign-funded enterprises are allowed to make domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and the projects invested thereby in the PRC are true and compliant.

LAWS AND REGULATIONS RELATING TO TAXES

Enterprise Income Tax

Pursuant to the Enterprises Income Tax Law of the PRC (中華人民共和國企業所得稅法(2018年修訂)) (the "**EIT Law**") which was promulgated by the National People's Congress on 16 March 2007 and amended on 24 February 2017, 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例(2019年修訂)) which was promulgated on 6 December 2007 and amended on 23 April 2019, taxpayers shall be divided into resident enterprises and non-resident enterprises. Resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but having an actual relationship with the institutions or establishments set up by such enterprises. The income tax for both resident enterprises and non-resident enterprises who obtained the aforementioned income is at the same rate of 25%. Where non-resident enterprises have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but have no actual relationship with the income obtained by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC, which the rate of is 20%. The enterprise income tax shall be levied at a reduced rate of 15% for new and high-tech enterprises which need key support from the State.

According to the Administrative Measures for the Identification of High-tech Enterprises (高新技術企業認定管理辦法(2016年修訂)) which was promulgated on 14 April 2008 and amended on 29 January 2016, after obtaining the qualification of high-tech enterprises, enterprises can enjoy the above-mentioned enterprise income tax incentives from the year in which the high-tech enterprise certificate is issued.

The State Administration of Taxation (the "**SAT**") issued the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) (promulgated on 22 April 2009 and amended on 29 December 2017) and Administrative Measures on Income Tax of Chinese-Controlled Enterprises Registered Abroad (for Trial) (境外註冊中資控股居民企業所得稅管理辦法(試行)) (promulgated on 27 July 2011, and amended on 17 April 2015, 28 June 2016 and 15 June 2018), respectively state the identification criteria and procedures of the enterprises that was invested by the enterprises or enterprise groups of mainland China as the major controlling shareholders and incorporated overseas in accordance with the laws of foreign countries or regions (including Hong Kong, Macau and Taiwan), as resident enterprises on the basis of their bodies of actual management within the territory of China.

Income Tax relating to Dividend Distribution

According to the EIT Law of the PRC (中華人民共和國企業所得稅法), if a non-resident enterprise does not have an institution or place in China, or if it has an institution or place but the income obtained is not physically connected with its institution or place, it shall pay enterprise income tax on its income derived from the territory of China, and the full amount of income from dividends, dividends and other equity investment income and interest, rent and royalties shall be the taxable income. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排), if an enterprise in Hong Kong directly holds at least 25% of the equity of an enterprise in the PRC, then the withholding tax rate shall be 5% for the dividends distributed by the enterprise in the PRC to the enterprise in Hong Kong.

The SAT issued the Notice on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) on 20 February 2009, according to which a transaction or arrangement for the primary purpose of achieving favourable tax position shall not constitute the reason for the application of preferential tax prescribed in dividend clauses in a tax treaty. Where a taxpayer enjoys unjustifiably the tax treatment prescribed in the tax treaty due to the said transaction or arrangement, the tax authorities in charge may make adjustments thereto. In addition, pursuant to the Announcement on Issues Relating to "Beneficial Owner" in Tax Treaties (國家稅務總局關於稅收協定中"受益所有人"有關問題的公告) promulgated by the State Administration of Taxation on 3 February 2018, the business activities undertaken by the applicant do not constitute substantive business activities, which are not favourable for determination of "beneficial owner" status of the applicant. Investment holding management activities of a substantive nature undertaken by the applicant may constitute substantive business activities; where the applicant undertakes investment holding management activities which do not constitute substantive business activities and simultaneously undertakes other business activities, if such other business activities are not significant enough, the applicant's business activities shall not constitute substantive business activities.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例(2017年修訂)) promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016, 19 November 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, sale of services, intangible properties, real estate and the importation of goods are required to pay value-added tax.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WARFARE

The Labour Law

The Labour Law of the PRC (中華人民共和國勞動法(2018年修訂)), which was promulgated by the National People's Congress Standing Committee on 5 July 1994 and was amended on 27 August 2009 and 29 December 2018, stipulates that an employer and an employee shall conclude a labour contract when establishing a labour relationship. Employers shall establish and improve rules and regulations in accordance with law to ensure that employees enjoy labour rights and perform labour obligations. Employers must provide workers with labour safety and health conditions and necessary labour protection equipment that comply with national regulations, and shall conduct regular health examinations for workers engaged in occupationally hazardous operations.

The Labour Contract Law

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法(2012年修訂)》) (the "**Labour Contract Law**"), which was promulgated by the National People's Congress Standing Committee on 29 June 2007 and amended on 28 December 2012, is primarily aimed at regulating employees/employers' rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. Pursuant to the Labour Contract Law, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and labourers.

Social Insurance and Housing Fund

According to the Law of the PRC on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法(2018年修訂)) promulgated by the National People's Congress Standing Committee on 27 October 2001 and amended on 31 December 2011, 2 July 2016, 4 November 2017 and 29 December 2018, the Regulation of Insurance for Labour Injury (工傷保險條例(2010年修訂)) promulgated by the State Council on 27 April 2003 and amended in 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法) promulgated on 14 December 1994, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on 16 July 1997, the Decisions on Improving the Basic Old-Aged Pension Insurance of the State Council (國務院關於完善企業職工基本養老保險制度的決定) promulgated on 3 December 2005, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例) promulgated on 22 January 1999 and the Social Insurance Law of the PRC (中華人民共和國社會保險法(2018年修訂)) promulgated by the National People's Congress Standing Committee on 28 October 2010 and amended on 29 December 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. These payments shall be made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (住房公積金管理條例(2019年修訂)) which was promulgated by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019 enterprises must register at the competent managing centre for housing funds and upon the examination by such managing centre of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Interim Provision on Labour Dispatch

According to the Interim Regulations on Labour Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security on 24 January 2014, employers can only use dispatched workers in temporary, auxiliary or substitute positions, and shall strictly control the number of dispatched workers, and the number of dispatched workers used shall not exceed 10% of their total employment.

LAW AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法), which was promulgated by China Securities Regulatory Commission ("**CSRC**") on 17 February 2023, coming into effect on 31 March 2023, requires that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies and shall therefore be subject to a filing to CSRC: (i) 50% or more of any of the issuer's operating revenue, total profit,total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; (ii) the main part of the issuer's business activities are conducted in the PRC, or its origin of business are mainly located in the PRC, or the majority of the issuer's senior management in charge of the management of business operations are PRC citizens or have their usual place(s) of residence located in the PRC. Furthermore, subsequent reports on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings are required to be filed with the CSRC as well.

OVERVIEW

We are a petroleum refinery and petrochemical equipment manufacturer based in Henan Province, the PRC, mainly offering (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers. Our history traces back to January 1994 when Luoyang Ruichang, our principal operating subsidiary, was established in Luoyang city of the PRC. Mr. Lu Bo and Ms. Lu Xiaojing are siblings and have been serving as directors and senior management of Luoyang Ruichang since its inception, managing the business affairs of our Group. They obtained 100% control of Luoyang Ruichang from their father in June 2011. Mr. Lu Bo and Ms. Lu Xiaojing, our executive Directors and Controlling Shareholders are jointly responsible for the operations and management of our Group. For further detail regarding Mr. Lu Bo and Ms. Lu Xiaojing, please refer to the section headed "Directors and Senior Management" in this prospectus.

OUR MILESTONES

The following table sets forth certain key business development milestones of our Group:

Year	Milestone
1994	Luoyang Ruichang, our principal operating subsidiary was incorporated in January, primarily focused on the manufacturing and sale of petroleum refinery and petrochemical equipment
2008	Luoyang Ruichang qualified as a High and New Technology Enterprise (高新技術企業)
2009	We participated in the drafting and preparation of "Test and Measurements Code of Burner Tubular Heater in Petrochemical Industry" (石油化工管式爐用燃燒器試驗檢測規程), an industry test and inspection standard published by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
2010	We entered into an agreement to establish the Innovative Combustion Technology R&D Centre (燃燒新技術研發中心) together with the Huazhong University of Science and Technology (華中科技大學) in March
2012	We obtained the relevant invention patents for our glass plate heat exchanger (玻璃板式換熱器)
2014	We completed construction of our scientific research building complex located in Heluo Road, Luoyang city in January
2015	We completed the construction with Honeywell China, a wholly-owned subsidiary of Honeywell International, on the Asia Pacific Burning Testing Centre (亞太燃燒測試中心)
	We received the second-class award for the "Price for Progress of Science and Technology of Luoyang City" (洛陽市科技進步二等獎) issued by the Luoyang city People's Government

Year	**Milestone**
	We registered our trademark "RGLASS" for our glass plate heat exchanger in the PRC
2016	We contributed to and assisted in the drafting of the "Technical Specification for Burners of Tubular Heater in Petrochemical Industry" (石油化工管式爐燃燒器工程技術條件) published by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
2020	To expand our international presence and reach, we established Burner Expert Inc., our wholly-owned subsidiary in Canada in June
	We also have been participating in the drafting and preparation of "Burner for Fired-heater of Refinery Services" (煉油裝置火焰加熱爐用燃燒器), an industry technical standard to be published by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
	In November, we entered into an agreement to establish a postdoctoral research programme and invention base with Xi'An Jiaotong University (西安交通大學) in support of our research and development and talent recruitment
2021	To further expand our international presence and reach, we enter into an agreement to acquire 22.5% equity interest in HS Engenharia e Supervisao Ltda in March, a company incorporated in Brazil
	Shanghai Ruiqieer qualified as a High and New Technology Enterprise (高新技術企業)
2022	We entered into a cooperation agreement with the National Technology Transfer Centre of the East China University of Science and Technology (華東理工大學國家技術轉移中心) to jointly establish a research centre to cooperate on low-carbon and green energy research and development
	Shanghai Ruiqieer was awarded as a "Shanghai specialised and sophisticated enterprise" (上海市專精特新企業) by the Shanghai Municipal Commission of Economy and Information (上海市經濟和信息化委員會) in March
2023	Luoyang Ruichang was awarded as a "Specialised, sophisticated and Little Giant Enterprise" (專精特新小巨人企業) by Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳)

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we had 10 wholly-owned subsidiaries and one non-wholly owned subsidiary. The following sets forth details of our principal subsidiaries through which we conduct our principal businesses:

Name	Date and place of incorporation	Registered capital	Principal business activities
Luoyang Ruichang	25 January 1994 (PRC)	RMB100 million	Manufacturing and sales of petroleum refinery and petro-chemical equipment
Shanghai Ruiqieer	12 December 2002 (PRC)	RMB100 million	Sales of petroleum refinery and petro-chemical equipment

CORPORATE DEVELOPMENT

The following sets forth the major corporate history and shareholding changes of our Company and our principal subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands on 6 February 2020 as an exempted company with limited liability. The initial authorised share capital of our Company was US$50,000 divided into 500,000,000 Shares of US$0.0001 par value each. On the same day, the initial subscriber, Sertus Nominees (Cayman) Limited (an Independent Third Party) transferred one ordinary Share of our Company to Richen Development, Richen Development subscribed for an additional of 4,999 Shares and Riches Development subscribed for an additional of 5,000 Shares.

Pursuant to a series A preferred share subscription agreement (the "**First Share Subscription Agreement**") dated 20 April 2021, entered into by and between, Mr. Tang Yinsheng, Mr. Li Yijun and our Company, as well as a series A preferred share purchase agreement (the "**Second Share Subscription Agreement**", together with the First Share Subscription Agreement, the "**Share Subscription Agreements**") dated 13 May 2021, entered into by and between Mr. Li Hua and our Company, and concurrent with the closing of our Pre-IPO Investment, our Company subdivided each issued and unissued share of nominal or par value of US$0.0001 in the authorised share capital of the Company into 10 shares at par value of US$0.00001 each, such that the authorised share capital of the Company has become US$50,000 divided into 5,000,000,000 shares of par value of US$0.00001 each on 17 May 2021.

On 17 May 2021, our Company allotted and issued a total of 10,740 series A preferred shares for a total consideration of HK$23.65 million, representing approximately 9.70% of the then issued share capital of our Company. The consideration was determined based on commercial negotiation between our Company, the Pre-IPO Investors, and Mr. Li Hua, after taking into consideration the business performance and financial position and prospect of the proposed listing. For further details, please refer to the paragraph headed "Pre-IPO Investments" of this section.

On 26 May 2021, our Company allotted and issued 3,470 Shares to Risen Development, an employee shareholding vehicle whose shareholders, as of the Latest Practicable Date, consist of employees and former employees of our Group, for a total consideration of US$919,000.

On 21 July 2023, Mr. Li Hua entered into a share purchase agreement with Riches Development and Richen Development, pursuant to which Riches Development and Richen Development agreed to each purchase from Mr. Li Hua 1,705 Shares, totaling 3,410 Shares which represent Mr. Li Hua's entire shareholding of 2.99% in our Company, at a consideration of HK$9.4 million. The consideration was determined after arm's length negotiation with reference to the original investment amount plus a simple interest rate of 12% per annum. The consideration was fully settled in cash on 25 July 2023 and the transaction was completed on 27 July 2023. Upon the completion of such share transfer, Mr. Li Hua ceased to be the Shareholder of our Company. For further details, please refer to the paragraph headed "Sale of Shares by Mr. Li Hua" of this section.

Upon completion of the aforementioned share transactions, Mr. Lu Bo, Ms. Lu Xiaojing, Risen Development, Mr. Tang Yinsheng and Mr. Li Yijun were each interested in approximately 45.27%, 45.27%, 3.04%, 3.98% and 2.44% of our Company's then issued share capital.

Luoyang Ruichang

Luoyang Ruichang is one of our principal operating subsidiaries which principally engaged in the manufacturing and sales of petroleum refinery and petrochemical equipment. It was established by Luoyang Jianxi Luozhou Shuangtui Petroleum Machinery Parts Factory (洛陽市澗西洛軸雙退石油機械配件廠), whose founder, legal representative and factory manager are Mr. Lu Changlin (the late-father of Mr. Lu Bo and Ms. Lu Xiaojing) since 1980s, together with Mr. Freudenstein and Mrs. Freudenstein (being the brother-in-law and sister of Mr. Shao Song, our executive Director. Luoyang Ruichang has undergone a number of internal corporate restructuring steps and Mr. Lu Bo and Ms. Lu Xiaojing obtained 100% control of Luoyang Ruichang (through obtainment of interest in Flame Petro-Chemical) from their father in June 2011. Luoyang Ruichang has been a wholly-owned subsidiary of Flame Petrol-Chemical, our offshore holding company (which was in turn owned by Mr. Lu Changlin, Mr. Lu Bo and Ms. Lu Xiaojing as to 40%, 30% and 30% respectively prior to June 2011, and was owned by Mr. Lu Bo and Ms. Lu Xiaojing as to 50% each after June 2011 but prior to the Reorganisation).

On 29 December 2015, Flame Petrol-Chemical increased the registered capital of Luoyang Ruichang from RMB15 million to RMB50 million and further increased the registered capital of Luoyang Ruichang to RMB100 million on 12 June 2018 (which has been fully paid up).

Shanghai Ruiqieer

Shanghai Ruiqieer is one of our principal operating subsidiaries and was established by Mrs. Freudenstein (being the sister of Mr. Shao Song, our executive Director) in the PRC as a limited liability company on 12 December 2002 with a registered capital of RMB3.0 million. Mr. Lu Bo and Ms. Lu Xiaojing became shareholders of Shanghai Ruiqieer in July 2010, each holding 50% of its registered capital transferred to them from Mrs. Freudenstein at an aggregate consideration of RMB100,000. Mr. Lu Bo and Ms. Lu Xiaojing subsequently increased the registered capital of Shanghai Ruiqieer to RMB9.5 million in equal proportion on 20 March 2018 (which has been fully paid up) and transferred their respective interest in Shanghai Ruiqieer to Luoyang Ruichang for a consideration of RMB75,000 on 28 April 2018. The consideration was determined with reference to the net asset value of Shanghai

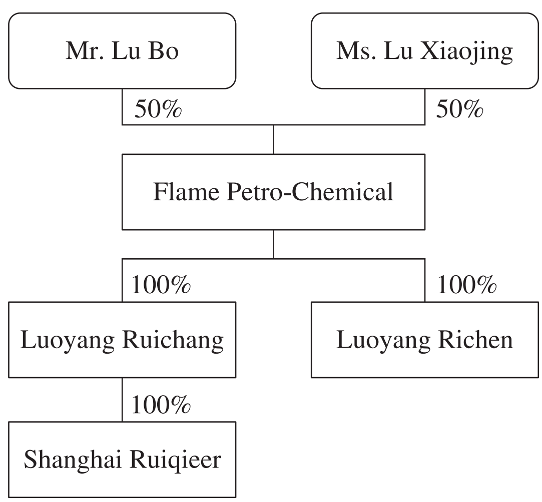
Ruiqieer as at 31 January 2018. Shanghai Ruichang remained as a subsidiary of Luoyang Ruichang since the equity transfer and undertook the Reorganisation steps as set out in the section headed "Reorganisation" below.

Our PRC Legal Adviser has confirmed that the increase of registered capital and equity transfer in respect of Luoyang Ruichang and Shanghai Ruiqieer have been properly and legally completed and all necessary regulatory registration have been obtained in accordance with the applicable PRC laws and regulations.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, saved for Mr. Lu Changlin being the late-father of Mr. Lu Bo and Ms. Lu Xiaojing, and Mr. Freudenstein and Mrs. Freudenstein being the brother-in-law and sister of Mr. Shao Song, respectively, each of them has no other past or present relationship, transactions or other arrangement with our Group, Directors, Shareholders, senior management or any of their respective associates.

REORGANISATION

In preparation for the Listing, we underwent the following steps of Reorganisation. The following chart sets forth a simplified shareholding structure immediately prior to the Reorganisation:



Step 1: Transfer of Shanghai Ruiqieer

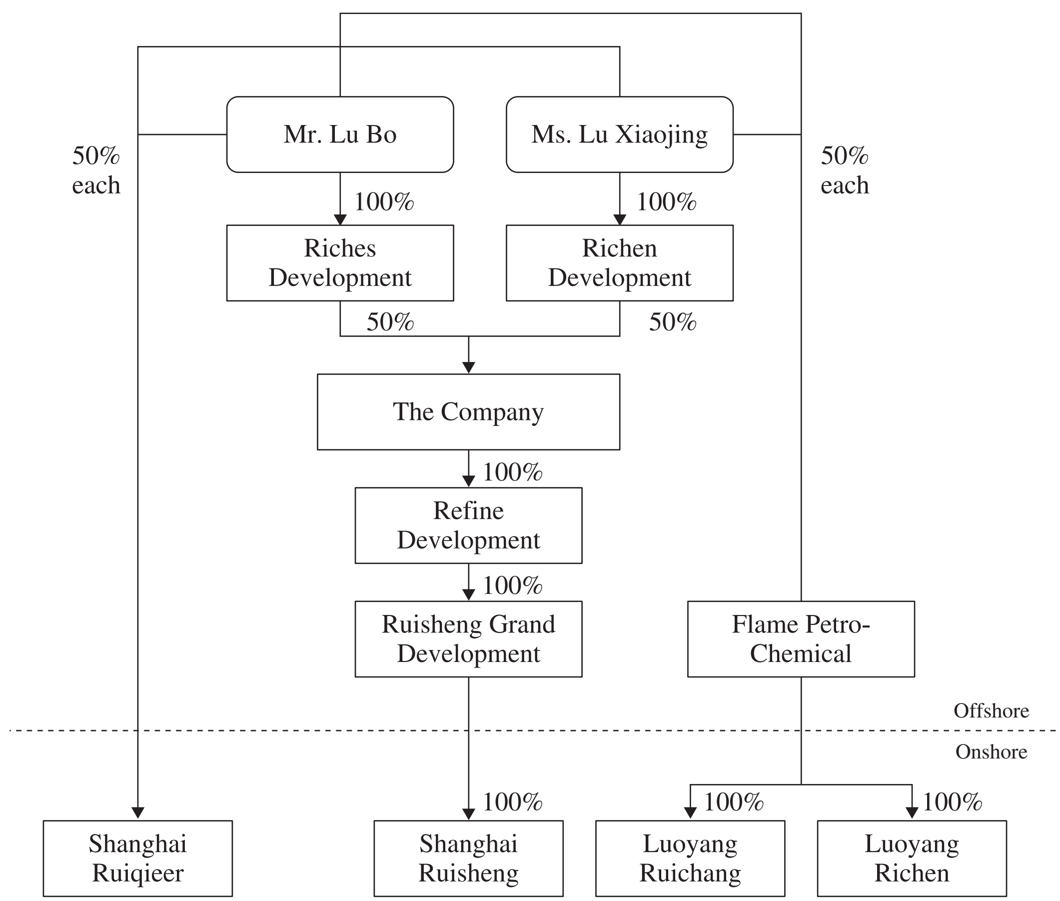
On 6 January 2020, Luoyang Ruichang transferred 50% of the equity interest of Shanghai Ruiqieer to each of Mr. Lu Bo and Ms. Lu Xiaojing for RMB75,000, the consideration was determined with reference to the consideration of the equity transfer between Mr. Lu Bo, Ms. Lu Xiaojing and Luoyang Ruichang on 28 April 2018 (the "**Reference Transfer**").

Step 2: Incorporation of our Company and other entities

Our Company was incorporated in the Cayman Islands on 6 February 2020 as an exempted company with limited liability. The initial authorised share capital of our Company was US$50,000 divided into 500,000,000 Shares with a par value of US$0.0001. Mr. Lu Bo and Ms. Lu Xiaojing were each interested in 50% of the issued share capital of our Company through their holding vehicle, Riches Development and Richen Development, respectively.

As part of the Reorganisation, our Company also incorporated Refine Development on 18 February 2020, Ruisheng Grand Development on 6 March 2020, and Shanghai Ruisheng on 24 June 2020.

Upon completion of step 2, our shareholding structure is as follow:



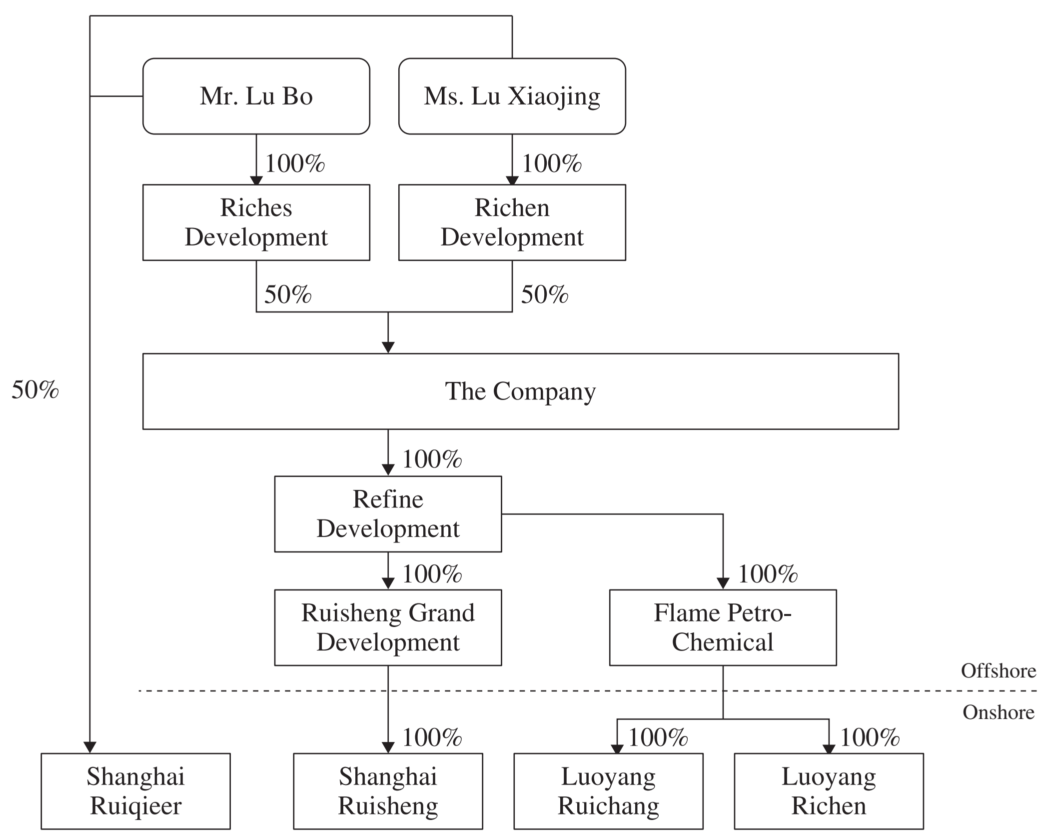
Step 3: Injection of Flame Petro-Chemical into the listing Group

On 10 June 2020, Flame Petro-Chemical allotted and issued 19,000,000 shares to Refine Development for a consideration of approximately US$19.0 million, the consideration was determined with reference to the share capital of Flame Petro-Chemical at the time of the transfer. Upon completion of the share issuance, Refine Development, Mr. Lu Bo and Ms. Lu Xiaojing were interested in 95.0%, 2.5% and 2.5% of the interest in Flame Petro-Chemical, respectively.

Step 4: Acquisition of outstanding interest in Flame Petro-Chemical

On 22 December 2020, Refine Development acquired the entire interest in Flame Petro-Chemical from Mr. Lu Bo and Ms. Lu Xiaojing for a total consideration of approximately US$1.48 million and Flame Petro-Chemical became a wholly-owned subsidiary of the Group upon completion of the share transfer. The consideration was determined with reference to the net asset value of Luoyang Ruichang as at 30 September 2020 as set forth in a valuation report prepared by an independent valuer.

Upon completion of step 4, our shareholding structure is as follow:



Step 5: Transfer to an offshore entity

On 30 January 2021, pursuant to an equity transfer agreement, Tokukei (HongKong) Limited (德慶(香港)有限公司) agreed to acquire 10% of the equity interest in Shanghai Ruiqieer from Mr. Lu Bo for a consideration of RMB15,000. The consideration was determined with reference to Reference Transfer. Upon completion of the transfer on 11 May 2021, Shanghai Ruiqieer is converted into a sino-foreign joint venture entity and Tokukei (HongKong) Limited, Mr. Lu Bo and Ms. Lu Xiaojing is interested in 10%, 40% and 50% of its equity interest, respectively. Tokukei (HongKong) Limited and its ultimate beneficial owners are Independent Third Parties of our Company and each of Mr. Lu Bo and Ms. Lu Xiaojing.

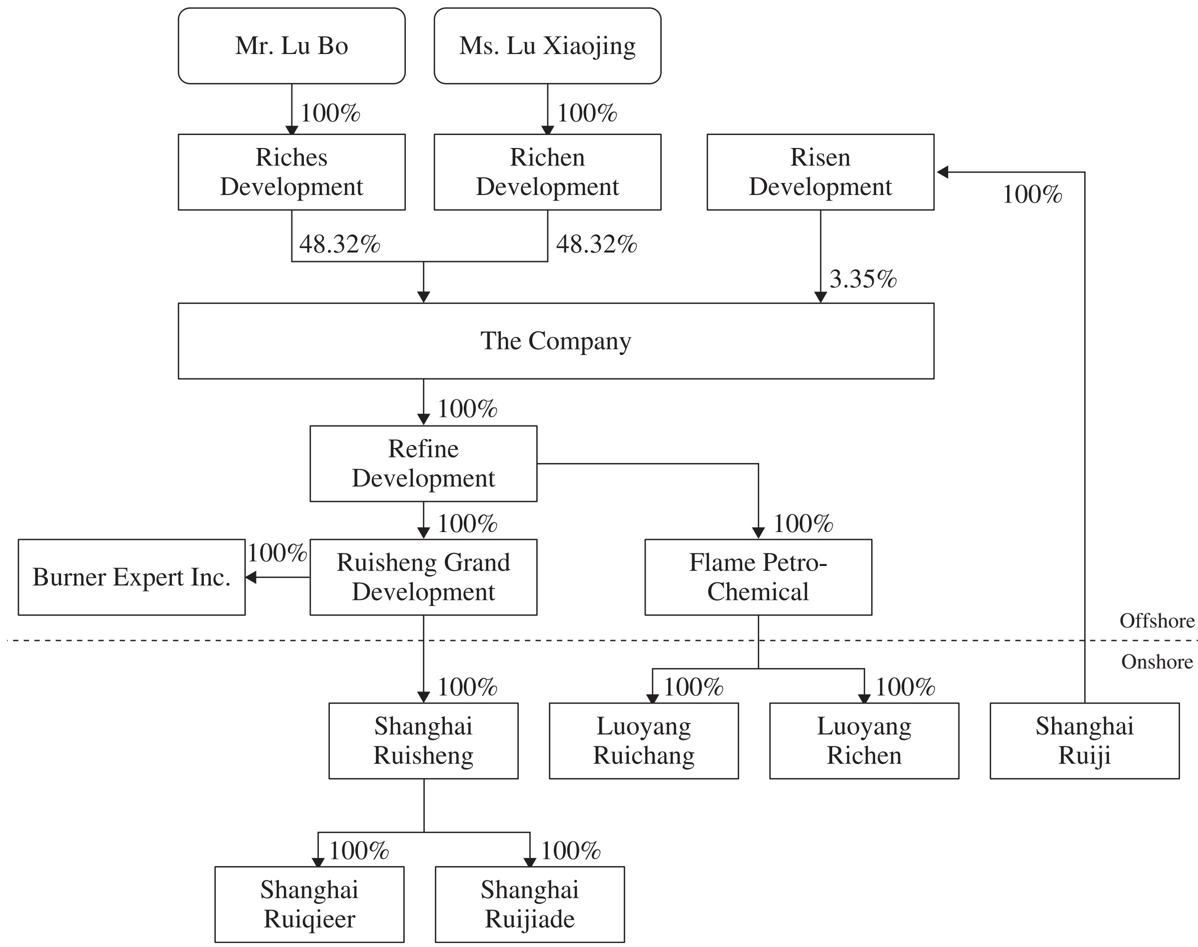
Step 6: Acquisition by Shanghai Ruisheng

On 13 May 2021, pursuant to equity transfer agreements, Shanghai Ruisheng agreed to acquire the entire equity interest in Shanghai Ruiqieer from Tokukei (HongKong) Limited, Mr. Lu Bo and Ms. Lu Xiaojing for a total consideration of RMB150,000. The consideration set forth in this step were determined with reference to the consideration of the equity transfer completed on 30 January 2021. The equity transfer was completed on 24 May 2021.

Step 7: Establishment of Risen Development as an employee shareholding vehicle

On 26 May 2021, our Company allotted 3,470 Shares to Risen Development. Risen Development was established as an employee shareholding vehicle and is directly owned by Shanghai Ruiji Technology Development Co., Ltd. (上海睿稷科技發展有限公司). As of the Latest Practicable Date, it is owned by 31 employees and former employees of our Group, including our executive Directors, Mr. Shao Song and Ms. Wu Rui as to approximately 10.17% and 0.95%, respectively.

Upon completion of the Reorganisation (and without taking into account our Pre-IPO Investments), our shareholding structure is as follow:



ESTABLISHMENT OF FAMILY TRUST

The LB Personal Trust and The LXJ Personal Trust was established by Mr. Lu Bo and Ms. Lu Xiaojing, respectively. They are also the trust protector and beneficiary of their respective family trust and are able to exercise control over such family trust. The family trust was established by Mr. Lu Bo and Ms. Lu Xiaojing for estate planning purposes, and each of Riches Development and Richen Development transferred their entire shareholding in our Company to One Ideal Limited and Lady Jing Limited, respectively. The entities are controlled by the respective personal trust of Mr. Lu Bo and Ms. Lu Xiaojing.

COMPLIANCE WITH THE APPLICABLE PRC LAWS AND REGULATIONS

Our PRC Legal Advisers confirmed that (1) all the transfers of equity interests and increase in registered capital of our subsidiaries established in the PRC were legally and properly completed, all necessary approvals and permits have been obtained and are valid as at the Latest Practicable Date, and all procedures involved are in compliance with the applicable PRC laws and regulations; (2) the establishment of our subsidiaries in the PRC and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects; and (3) the Reorganisation has complied with all applicable PRC laws and regulations in all material respects.

PRE-IPO INVESTMENTS

Our Pre-IPO Investments consisted of investments in our Series A Preferred Shares, details of the investments are set forth below.

	Series A Preferred Shares Subscription
Date of agreements	20 April 2021(2) and 13 May 2021(3)
Date on which the investment was fully and irrevocably settled by the Pre-IPO Investors	28 May 2021
Identity of Pre-IPO Investor	(i) Mr. Tang Yinsheng; (ii) Mr. Li Yijun and (iii) Mr. Li Hua(4)
Total consideration paid	(i) HK$10,000,000; (ii) HK$6,150,538 and (iii) HK$7,500,000
Total Shares held immediately prior to the Capitalisation Issue and the Global Offering	(i) 4,540; (ii) 2,790; (iii) 3,410, representing approximately 3.98%, 2.44% and 2.99% of the then total issued Share capital
Total Shares held upon the completion of the Capitalisation Issue and the Global Offering	(i) 14,906,751; (ii) 9,160,757; (iii) nil, representing approximately (i) 2.98%; (ii) 1.83%; (iii) nil(4) of the total issued Share capital
Cost per Share paid assuming completion of the Capitalisation Issue and the Global Offering	HK$0.67
Implied post-money valuation	HK$251.5 million(5)
Discount to the Offer Price(1)	45.0%
Lock up period	The Pre-IPO Investors will be subject to a lock-up for a period of 6 months from the Listing Date.

Use of proceeds from the Pre-IPO Investments	The proceeds was to be used for our Group's business expansion, capital expenditures, general working capital and any other purposes as approved by the Board. As of the Latest Practicable date, our Company has fully utilised the proceeds.
Strategic benefits of the Pre-IPO Investments	Providing our Group with additional capital to fund our operation and expansion, providing us with the knowledge, experience and connections of our Pre-IPO Investors through their diverse background, including their experiences with working with various PRC institutions and authorities. We communicate regularly with our Pre-IPO Investors and obtained advices from their respective fields of background. Our Company has been able to leverage their connections and experiences to build local networks within Luoyang City and seek their advice during the course of our Company's Listing. Our Directors are of the view that our Group has benefited from the financial resources provided by the Pre-IPO Investors as they consider that the Pre-IPO Investors are strategic investors who can contribute to the development of our Group through their knowledge, experience, financial resources and network. Our Directors are also of the view that through the Pre-IPO Investments, our Pre-IPO Investors have demonstrated their confidence in the operations of our Group and have expressed their recognition of the performance, strength and prospects of our Group. Please refer to the paragraph headed "Information about the Pre-IPO Investors" in this section for details of the Pre-IPO Investors' background.

Notes:

(1) The discount to the Offer Price is calculated based on the Offer Price of HK$1.22 per Share, being the mid-point of the Offer Price range, and the automatic conversion of the Series A Preferred Shares into ordinary Shares (on a 1:1 basis) and Capitalisation Issue having been completed prior to the Listing.

(2) This is the date of the subscription agreement entered into between our Company, Mr. Tang Yinsheng and Mr. Li Yijun.

(3) This is the date of the subscription agreement entered into between our Company and Mr. Li Hua.

(4) Mr. Li Hua ceased to be a Shareholder after his divestment. For further details, please refer to the paragraph headed "Sale of Shares by Mr. Li Hua" in this section.

(5) The consideration and valuation of the Pre-IPO investment was determined based on arm's length negotiation between the parties with reference to, among others, the then net asset value of Luoyang Ruichang as at 30 September 2020 as appraised by an independent valuer in the PRC, the historical financial results of our Group as at 31 December 2020 as well as the development and prospect of the Group.

SALE OF SHARES BY MR. LI HUA

On 21 July 2023, Mr. Li Hua entered into a share purchase agreement with Riches Development and Richen Development (being entities controlled by our Controlling Shareholders), pursuant to which Riches Development and Richen Development agreed to each purchase from Mr. Li Hua 1,705 series A preferred shares, totaling 3,410 series A preferred shares (representing Mr. Li Hua's entire shareholding in our Company), at an aggregate consideration of HK$9.4 million. Upon completion of the transaction, Riches Development and Richen Development each voluntarily converted the acquired shares into ordinary shares of our Company. The consideration was determined after arm's length negotiation with reference to Mr. Li Hua's original investment amount plus a simple interest rate of 12% per annum. The consideration was fully settled in cash on 25 July 2023 and the transaction was completed on 27 July 2023. The divestment was made by Mr. Li Hua taking into account of his personal demand of funds for other personal ventures.

Information about the Pre-IPO Investors

Mr. Tang Yinsheng is an executive director of an asset management company and he was introduced to our Group through Mr. Ye Hong in 2016 and further consider to invest in our Group in 2021. For further details of the relationship of Mr. Ye Hong, Mr. Lu Bo and our Group, please refer to section headed "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Positions — Prepayments, other receivables and other assets". Mr. Tang Yinsheng holds a master's degree in business administration. He is an experienced professional with over 15 years of experience in the merger and acquisition transactions and over 13 years of investment experience in the field of environmental protection industry. As confirmed by Mr. Tang Yinsheng, he performed due diligence on business operations and financial information of our Group before his investment, and he holds positive view in the growth of this industry and the outlook of the Company. We consider that leveraging his experience, Mr. Tang Yinsheng will bring valuable experience in corporate and financial transactions to our Company.

Mr. Li Yijun is an entrepreneur operating in Luoyang city where a substantial portion of our operation is based. Mr. Li Yijun has over 17 years of business and investment experience in a wide range of industries, such as science and technology, telecommunications and the real estate industry, in the PRC. Mr. Li Yijun was introduced to Mr. Lu Bo, our Controlling Shareholder in around 2020 through an acquaintance in the banking industry. Based on his knowledge in industry and reputation of our Group in Luoyang city, he considered that our Group was competitive and will generate positive investment return. We consider that the investment from Mr. Li Yijun will broaden our Group's industrial network within Luoyang city and bring business opportunities.

Mr. Tang Yinsheng and Mr. Li Yijun are individual investors and each of them is an Independent Third Party. To the best knowledge of our Directors after making reasonable enquiries, other than the Pre-IPO Investments disclosed above, there are no past or present relationship, transaction or arrangement between each of the Pre-IPO Investor and our Group, our Shareholders, our Directors or senior management, or any of their respective associates during the Track Record Period and up to the Latest Practicable Date.

Special Rights of the Pre-IPO Investors

The Pre-IPO Investors investing in our Series A Preferred Shares are granted certain customary special rights under the Share Subscription Agreements, shareholders agreement between such Pre-IPO Investors, other Shareholders and the Company (the "**Shareholders' Agreement**") as well as our amended and restated articles of association. Such special rights shall all be terminated upon Listing, in addition, the Pre-IPO Investors' redemption right as set forth below shall automatically be terminated on the date when we submit an application for Listing and shall only be reinstated by the Shareholders if (i) the Listing does not occur within 12 months after the date of initial application for Listing; or (ii) if the Stock Exchange makes any definitive proclamation that would preclude our Company from otherwise being able to effect the Listing. The principle special rights granted to the Pre-IPO Investors are summarised below:

(a) **Transfer Restriction.** Each party to the Shareholders' Agreement shall not transfer their interest in the Shares except in compliance with the terms of the Shareholders' Agreement.

(b) **Right of First Refusal and Co-Sale.** If any third party propose to purchase any or all of Riches Development and Richen Development's Shares, and the proposal is pursued by Riches Development and Richen Development, notice should be given to the Company and the Pre-IPO Investors and they shall have a right to acquire such Shares in accordance with the terms of the Shareholders' Agreement.

    If the Shares are not acquired by the Company or the Pre-IPO Investors, each Pre-IPO Investors who did not exercise their right of first refusal may elect to participate in the sales of their Shares (proportionate to their interest in the Company) on the same terms and conditions as Riches Development or Richen Development.

(c) **Pre-emptive Rights.** The Pre-IPO Investors have a first refusal right to, at their election, acquire new securities issued by our Company in proportion to their shareholding for a specified period after they are notified of the proposed issuance, which for the avoidance of doubt will not cover any Shares offered as part of the Global Offering.

(d) **Preferred Shares Redemption Rights.** The Pre-IPO Investors are granted a right by our Company to, (i) upon the occurrence of any material breach of the Share Subscription Agreements; or (ii) when another Pre-IPO Investor request to exercise their redemption rights, request our Company to repurchase their Series A Preferred Share at an amount equivalent the consideration paid by them for the Pre-IPO Investment and an amount equal to an interest rate of 10% per annum for the period between the Series A Preferred Shares issued date and the redemption payment date.

Compliance with Interim Guidance and Guidance Letters

After reviewing the terms of the Pre-IPO Investments, and given that (i) our Directors confirmed that the terms of the Pre-IPO Investments were determined on one's length basis; (ii) no special rights granted to the Pre-IPO investors will survive after the Listing in respects of the Pre-IPO Investments; and (iii) the Pre-IPO Investments were completed no less than 120 clear days before the Listing Date, the Sole Sponsor confirms that the investments by the Pre-IPO Investors are in compliance with the Pre-IPO Investment Guidance as defined in Chapter 4.2 under the Guide for New Listing Applicants.

PUBLIC FLOAT

Upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the Shares held by our core connected persons will not count towards the public float. Save for the Shares ultimately beneficially held by the Controlling Shareholders and Risen Development, all other Shareholders are not core connected persons of our Company. As a result, our other existing Shareholders will aggregately hold a total of approximately 4.81% of Shares (upon completion of the Capitalisation Issue and the Global Offering without taking into account the Shares which may be allotted and issued under the Over-allotment Option) which will count towards the public float.

PRC LEGAL COMPLIANCE

M&A Rules

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC and the SAFE on 8 August 2006, came into effect on 8 September 2006 and subsequently amended on 22 June 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company, enterprise or natural person. The M&A Rules, amongst others, also require that an offshore special purpose vehicle, or a SPV, formed for overseas listing purposes and through purchasing shares or equity interest in PRC domestic companies in exchange for the shares of offshore companies, and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

The Manual of Guidance on Administration for Foreign Investment Access (2008 Edition) (《外商投資准入管理指引手冊(2008年版)) (the "**Manual**"), which was promulgated by the Foreign Investment Administration of the Ministry of Commerce, came into effect on 18 December 2018. The Manual stipulates that the transfer of equity of a Chinese party in an established foreign-invested enterprise to a foreign party shall not refer to the M&A Rules. No matter whether there is any associated relationship between the Chinese party and foreign party, and no matter whether the foreign party is the original shareholders or new investors. The target company of merger and acquisition shall include domestic capital enterprise only.

As advised by our PRC Legal Adviser, the proposed Listing is not subject to approval from the MOFCOM under the M&A Rules and our listing on the Stock Exchange is not subject to a prior approval from the CSRC under the M&A Rules.

Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**") on 14 July 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on 21 October 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or swap, merger, division or other material event.

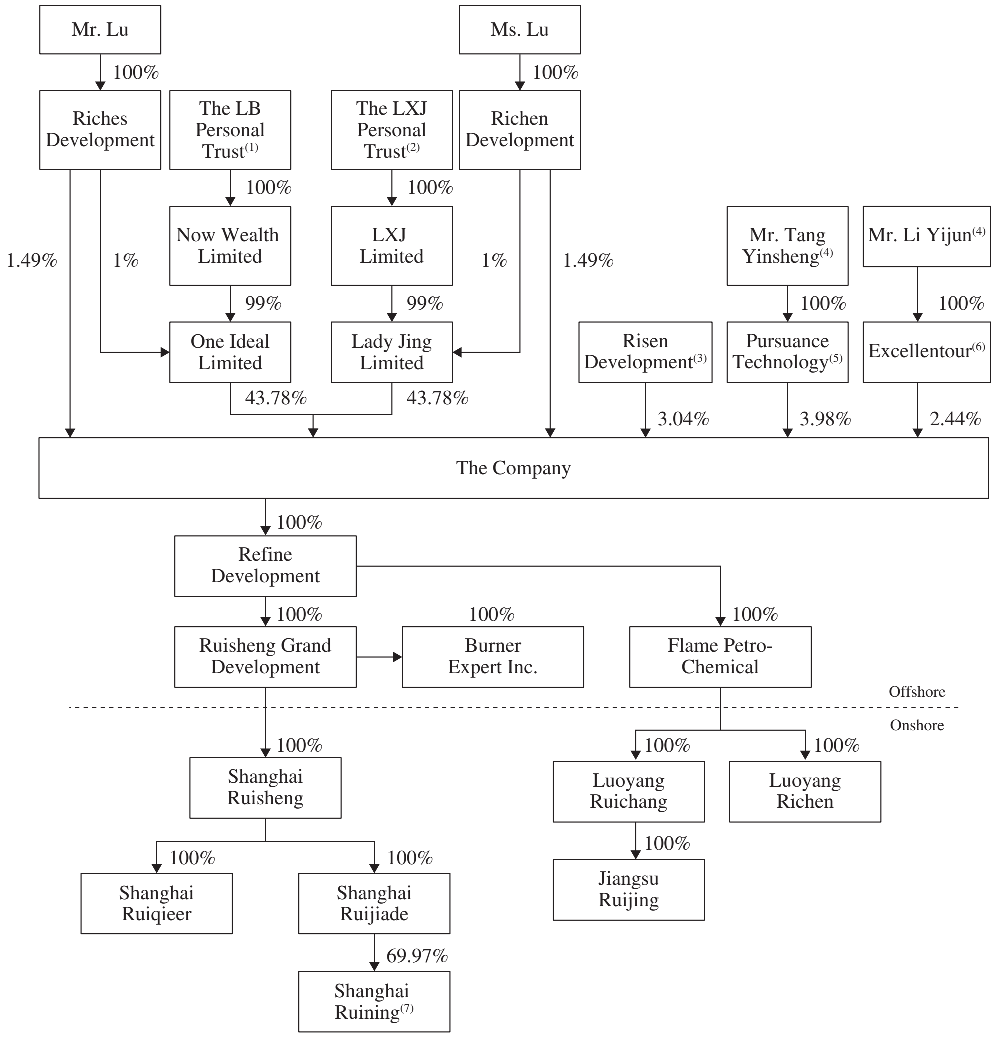
On 13 February 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), which became effective from 1 June 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37.

As advised by our PRC Legal Adviser, each of Mr. Lu Bo and Ms. Lu Xiaojing has completed the relevant registration under SAFE Circular 37 on 26 April 2020 and each of the Pre-IPO Investors, has completed the respective registration under SAFE Circular 37 as at the Latest Practicable Date.

Our PRC Legal Adviser have confirmed that all relevant material registrations, approvals and permits required under PRC laws and regulations in relation to the establishment, increases of registered capital, equity transfers and reorganisation in respect of the PRC subsidiaries of our Group as described above have been completed and obtained.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the Capitalisation Issue and the Global Offering:



Notes:

1. The LB Personal Trust is a family trust to which Mr. Lu Bo is its settlor, trust protector and beneficiary, and he is able to exercise control over the family trust.

2. The LXJ Personal Trust is a family trust to which Ms. Lu Xiaojing is its settlor, trust protector and beneficiary, and she is able to exercise control over the family trust.

3. Risen Development was established as an employee shareholding vehicle and is directly owned by Shanghai Ruiji, which is in turn owned by 31 employees and former employees of our Group, including our executive Directors Mr. Shao Song and Ms. Wu Rui as to 10.17% and 0.95%, respectively as of the Latest Practicable Date.

4. For details of the Pre-IPO Investors, please refer to the paragraph headed "Pre-IPO Investments" in this section.

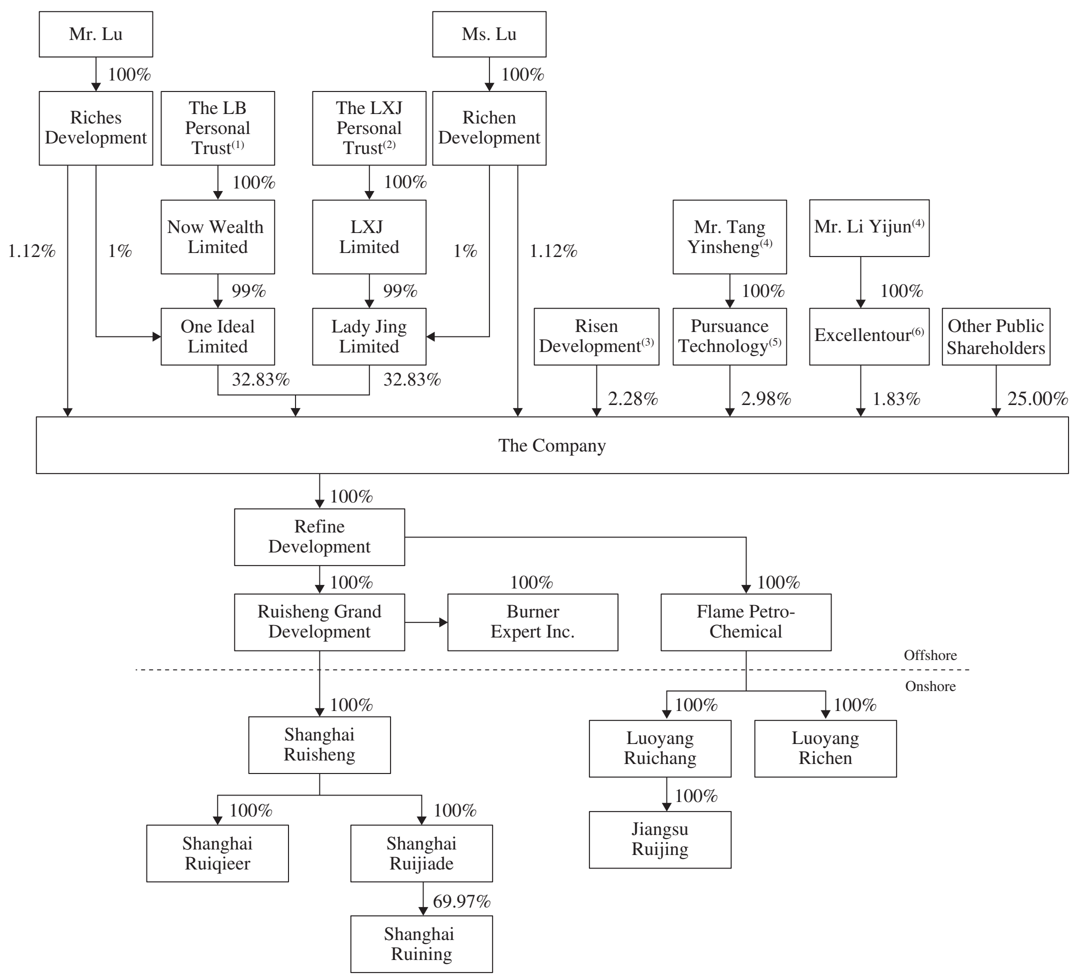
5. On 8 August 2023, Mr. Tang Yinsheng transferred his entire holding in our Company to Pursuance Technology Limited ("**Pursuance Technology**"), a company incorporated in the BVI which was and has remained as wholly-owned by Mr. Tang Yinsheng.

6. On 4 September 2023, Mr. Li Yijun transferred his entire holding in our Company to Excellentour Holding Limited ("**Excellentour**"), a company incorporated in the BVI which was and has remained as wholly-owned by Mr. Li Yijun.

7. Shanghai Ninghua Supply Chain Management Co., Ltd. (上海寧華供應鏈管理有限公司), an Independent Third Party, is the 30.03% minority equity interest holder of Shanghai Ruining.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$1.22, being the mid-point of the indicative Offer Price range):



Note: Please refer to the notes to "Our Structure Immediately Prior to the Global Offering" in this section.

OVERVIEW

We are a petroleum refinery and petrochemical equipment manufacturer based in Henan Province, the PRC, mainly offering (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers. According to the F&S Report, we were the third largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 7.6% in terms of revenue in 2023; we were also the second largest SRU and VOCs incineration equipment manufacturer in petroleum refinery and petrochemical operations in the PRC with a market share of approximately 3.4% in terms of revenue in 2023.

Our customers mainly comprised market participants in the petroleum refinery and petrochemical industries in the PRC, which can be further classified into end-users; third-party contractors; equipment manufacturers and others. Established in 1994, we have forged and maintained strong and stable relationship with industry-renowned customers, which included subsidiaries and branches of three of the largest petroleum refinery and petrochemical groups in the PRC; and one of the largest EPC (engineering, procurement and construction) contractors in this industry in the PRC. The business relationships between our Group and our five largest customers during the Track Record Period has ranged from two to 29 years.

We are principally engaged in the manufacture and sale of petroleum refinery and petrochemical equipment. Our products are customised to meet customers' specification and requirements on a contract basis which are divided into four product categories, namely (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers, including their related parts and components, to our downstream customers in the PRC. Our Group also provide installation services for the equipment manufactured by us and/or ancillary facilities such as electrical erection work and mechanical erection work to our customers during the Track Record Period.

The following table sets out a breakdown of revenue by business activities for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing and sale of equipment						
SRU and VOCs incineration equipment	101,719	41.0	72,854	17.4	77,218	14.2
Catalytic cracking equipment	63,273	25.5	251,625	60.0	319,266	58.7
Process burners	29,971	12.1	45,046	10.8	114,264	21.0
Heat exchangers	50,832	20.5	45,767	10.9	33,381	6.1
Subtotal	245,795	99.1	415,292	99.1	544,129	100.0
Installation services	2,249	0.9	3,781	0.9	—	—
Total	248,044	100.0	419,073	100.0	544,129	100.0

We owned two production facilities in Luoyang city, Henan province, the PRC, with a total gross floor area of approximately 20,807.4 sq.m., one of which is responsible for the production of SRU and VOCs incineration equipment and catalytic cracking equipment, and the other one is responsible for the production of process burners and heat exchangers. For the year ended 31 December 2023, the utilisation rate (representing the percentage of actual output over total capacity of our self-owned production facilities) of each of our two production facilities was approximately 100.9% and 70.1%, respectively. In order to capture the growing market demand for refinery and petrochemical equipment from overseas customers, we have leased a production facility with a gross floor area of 7,400 sq.m. in Taizhou city, Jiangsu province, the PRC on 1 June 2023, which our Directors consider we can enjoy convenient transportation advantage for a production facility near the coastal ports.

Our Directors believe that our established industry knowhow and research and development capabilities contribute significantly to our success in the industry. We have been participating in the preparation and drafting of national industry codes such as the "Testing and Measurements Codes of Burner Tubular Heater in Petrochemical Industry" (石油化工管式爐用燃燒器試驗檢測規程) and "Technical Specification for Burners of Tubular Heater in Petrochemical Industry" (石油化工管式爐燃燒器工程技術條件) and our research and development team is led by Mr. Shao Song, our executive Director, Mr. Zhang Xian and Mr. Jin Xuli, our senior management team, each of whom has more than 24 years of experience in the petroleum refinery and petrochemical equipment industry. As at the Latest Practicable Date, we possessed (including those co-owned) 219 registered patents which comprised of 163 utility patents, 53 invention patents and three design patents in the PRC, as well as four international patents.

During the Track Record Period and up to the Latest Practicable Date, our principal market has been the PRC. Internationally, we have also established overseas presence in Hong Kong, Canada and Brazil with a view to expanding our market presence. During the Track Record Period, our revenue was substantially generated from contracts with customers located in the PRC.

For the years ended 31 December 2021, 2022 and 2023, our revenue was approximately RMB248.0 million, RMB419.1 million and RMB544.1 million, respectively. Our net profit for the same period was approximately RMB13.2 million, RMB36.5 million and RMB55.2 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are largely attributable to a combination of our competitive strengths set out as follows:

Leveraging our years of experience, we have accumulated a wealth of industry knowhow.

Our years of industry knowhow provides us with strong technical foundation and a wealth of experience to further our innovative development and enhancement. Our Group was the third largest manufacturers of catalytic cracking equipment for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 7.6% in terms of revenue in 2023. We were also the second largest SRU and VOCs incineration equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 3.4% in terms of revenue in 2023.

With over 30 years of production and industrial experience and the close coordination of our technicians production team, we have developed and maintained a database of various design plan of equipment catering to different needs of our customers and we are able to design, manufacture and offer customised equipment for our customers. Our Directors are of the view that a stable and reliable source of research and development talents enables us to accumulate an extensive pool of industry knowhow and experience.

With our proven track record in the petroleum refinery and petrochemical equipment industry, we have received numerous awards in recognition of our design from local authorities. For details, see "— Awards and Recognitions" in this section. In light of our established history, our Directors believe that we have maintained a strong reputation in the industry which in turn enables us to maintain a strong market position and a stable and loyal customer base.

We have established and maintained strong and stable business relationships with our major customers.

We have established and maintained strong and stable business relationships with industry-renowned customers, including Customer A, Customer B and Customer H, consisting subsidiaries and branch offices of three of the largest petroleum refinery and petrochemical groups in the PRC and Customer M, one of the largest EPC (engineering, procurement, and construction) contractors in this industry in the PRC. We commenced business relationships with Customer A, Customer B, Customer H and Customer M in 2000, 1994, 2007 and 2010, respectively. The business relationship between our Group and our five largest customers during the Track Record Period has ranged from two to 29 years. Through years of experience working with our major customers, we have developed a deep understanding of their business needs for petroleum refinery and petrochemical equipment, which enables us to provide prompt customers services and adjust our production and supply plans accordingly.

Our Directors believe that a stable and long-standing business relationship with industry-renowned participants are crucial to our business and enabled us to (i) maintain a relatively substantial market share in the industry; and (ii) be well-positioned for competitive pricing for our equipment. In addition, our Directors believe that our established business relationships with our major customers provide confidence to our potential customers as well as preserve customer loyalty to our Group.

We possess strong research and development and design capabilities.

We believe that our research and development and design capabilities contribute significantly to our success. We have retained an experienced research and development team to facilitate the advancement of our equipment designs and production efficiency. Our research and development team is led by Mr. Shao Song, our executive Director, who has more than 30 years experience in the petroleum refinery and petrochemical equipment industry.

With our capabilities in both the design and manufacturing of petroleum refinery and petrochemical equipment, we are able to offer customised products to our customers. According to the F&S Report, in general, equipment suppliers in the petroleum refinery and petrochemical equipment market are categorised into two types, one being manufacturers which only manufacture standardised equipment (單體設備) based on the production plan provided by design institutions and one being manufacturers who possess the ability to design and draw up the production plan for core equipment and manufacture a complete set of system equipment (成套設備) based on customers' specifications, and our Group, being the above two types of manufacturers is more competitive in the market as we can easily adapt to the varying products needs of our customers.

We have also contributed to and assisted in the drafting of national industry codes, such as the "Testing and Measurements Code of Burner Tubular Heater in Petrochemical Industry" (石油化工管式爐用燃燒器試驗檢測規程) and the "Technical Specification for Burners of Tubular Heater in Petrochemical Industry" (石油化工管式爐燃燒器工程技術條件), published by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) in 2009 and 2016, respectively; and industry technical standards, such as standards for "Burner for Fired-heater of Refinery Services" (煉油裝置火焰加熱爐用燃燒器) in 2020. Moreover, we have developed collaborations with renowned universities and institutions, such as Huazhong University of Science and Technology (華中科技大學) to establish the Innovative Combustion Technology Research and Development Centre (燃燒新技術研發中心) in 2010; Xi'an Jiaotong University (西安交通大學) to establish a postdoctoral research program and research and development centre in 2020; and with Honeywell China on the construction of the Asia Pacific Burning Testing Centre (亞太燃燒測試中心) in 2015. We also obtained the relevant invention patents for our glass plate heat exchanger (玻璃板式換熱器) in 2012. We entered into a cooperation agreement with the National Technology Transfer Centre of the East China University of Science and Technology (華東理工大學國家技術轉移中心) to jointly establish a research centre to cooperate on low-carbon and green energy research and development in 2022, which is officially in operation in 2023.

As at the Latest Practicable Date, we possessed (including co-owned) 219 registered patents which comprised of 163 utility patents, 53 invention patents and three design patents in the PRC, as well as four international patents.

We have an experienced management team.

We have an experienced management team that has extensive in-depth industry experience. Both Mr. Lu Bo, our Chairman, executive Director and chief executive officer and Ms. Lu Xiaojing, our executive Director and deputy chief executive officer possess over 30 years of experience in operation and management business of petroleum refinery and petrochemical equipment industry and have been with our Company since 1994. Mr. Lu Bo and Ms. Lu Xiaojing received their qualification as an engineer from the Henan Province Science and Technology Committee (河南省科學技術委員會) in 1999 and from the Luoyang City Science and Technology Committee (洛陽市科學技術委員會) in 2002, respectively. Other members of our Board and our senior management team also have extensive management and operational experience in their respective industries.

Our experienced management team has accumulated valuable insights and good business relationships with market participants. We believe that with the industry insights and operational and management experience of our Directors and senior management team, we are able to capture market opportunities, and formulate and implement sound business strategies that will enable us to attain sustainable business growth in the long run. For details of the background and experience of our Directors and senior management, see "Directors and Senior Management" in this prospectus.

BUSINESS STRATEGIES

In order to leverage our aforementioned competitive strengths to capture the growing market demand, we plan to have a series of incremental capacity expansions of our production facilities and enhancement of our research and development capabilities. We intend to fund our business strategies by utilising net proceeds from the Global Offering with details set out below. Any shortfall in relation to our expansion of production capacity and capabilities is intended to be financed by internal resources and/or external borrowings of our Group.

Increase our production capacity and capabilities to expand our scale of operation.

Our Directors believe that our business and growth depend on the levels of domestic petroleum refinery and petrochemical development in the PRC where our customers are based. According to OPEC, the refinery capacity of China has reached 936.0 million tonnes in 2023 and the China's petroleum refinery capacity is expected to reach 1,000 million tonnes a year by 2025, as according to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前二氧化碳達峰行動計劃》) issued by the State Council. According to the F&S Report, it is expected that the petroleum refinery capacity is forecast to grow to 1,050.7 million tonnes in 2028, thus, indicating that there is still approximately a room of over 100 million tonnes newly-built capacity of petroleum refinery to expand in the next five years. Additionally, alternative energy may possibly affect the demand for oil consumption as energy source, but the value chain of petroleum refinery and petrochemical industry is long and the demand for downstream petrochemical has limited threat from alternative energy. To face the challenge from alternative energy, petroleum refinery projects who has limited production capacity of petrochemical would actively seek opportunity to further extend its value chain to establish its own production capacity of petrochemicals such as ethylene, which may bring higher margin than refined oil products.

According to public information, there are at least over 70 million tonnes of petroleum refinery capacity to be implemented by 2025 and the production capacity of ethylene is expected to reach approximately 85 million tonnes by 2028, representing a CAGR of approximately 9.9% between 2023 to 2028. Many of these projects were integrated projects including both petroleum refinery capacity and capacity of petrochemicals such as ethylene, which would have additional demand for petroleum refinery and petrochemical equipment comparing to the projects which only have petroleum refinery capacity. Please see section headed "Industry Overview — Overview of Petroleum Refinery and Petrochemical Industry in China" for scale and investments of key refinery and petrochemical integration projects from 2023 to 2026.

The stricter environmental requirements in the PRC have led to the transformation of domestic petroleum refinery and petrochemical industries to an integrated, large-scale, clean, high value-added and intelligent industry. Outdated refinery capacity and plants with low efficiency in refineries are being replaced by large integrated advanced technologies gradually. The market of the replacement of existing inefficient and not environment-friendly equipment is expected to be an important driving force of the petroleum refinery and petrochemical equipment industry. Despite the replacement cycle of petroleum refinery and petrochemical equipment ranging from 10 to 20 years, it is estimated that around 5% to 10% of the existing capacity of the petroleum refinery will be updated in every year, thus, generating approximately over 40 million tonnes in each year with sustained and additional demand for petroleum refinery and petrochemical equipment.

In addition, petrochemical products are widely used in various downstream applications. The ethylene industry is the core of the petrochemical industry. Ethylene is one of the most basic raw materials used in the petrochemical industry and ethylene products account for more than 75% of petrochemical products with an important position in the national economy. The world has taken ethylene production as one of the important symbols to measure the development level of a country's petrochemical industry. The rapid development of the PRC economy in recent years has led to a strong growth in the demand for ethylene. Between 2018 and 2023, the demand of ethylene in the PRC increased from 47.2 million tonnes to 69.4 million tonnes, representing a CAGR of approximately 8.0% and is expected to reach 90.8 million tonnes in 2028, representing a CAGR of approximately 5.5%. The strong growth in demand has driven the investments in the ethylene industry and relevant production capacity. At the same time, according to the statistics of authorities, the self-sufficient rate of ethylene in the PRC still lag behind at approximately 67.4% in 2023 as compared to that of 100% of the United States. The domestic petrochemical industry has fallen far behind those in developed countries. Looking forward, in order to fulfil the accelerating demand of downstream industries in the future, the production capacity of ethylene is expected to have a further rise, reaching approximately 85 million tonnes by 2028, bringing about rising demand for corresponding equipment. Furthermore, with sufficient investment in research and development, the products of domestic brands have caught up with foreign products in terms of the quality and technology applied and gained higher preference among downstream customers with high cost performance. As a result, the market size of petroleum refinery and petrochemical equipment market in China is forecasted to grow at a CAGR of approximately 6.5% from RMB715.1 billion in 2023 to RMB979.2 billion in 2028. For details, see "Industry Overview — Market Drivers of China's Petroleum Refinery and Petrochemical Equipment Industry Market" in this prospectus.

According to the F&S Report, the future market concentration of the petroleum refinery and petrochemical equipment industry in China is expected to undergo changes in the coming years. As the demand for energy continues to rise, the industry is likely to become more consolidated as larger companies acquire smaller ones in order to gain access to new technologies, markets, and resources. As the market develops and changes, consumers tend to purchase products from larger and better-known brands, as these brands have higher reliability and credibility. This also makes it easier for larger companies to gain more market share, thus increasing market concentration. Therefore, these factors have led to the increasing concentration of the petroleum refinery and petrochemical equipment industry, with more market share being occupied by larger companies. In order to meet the rising demand for our petroleum refinery and petrochemical equipment, we intend to increase our production capacity and capabilities to expand our scale of operation.

During the Track Record Period, we mainly manufactured our equipment in two production facilities based in Luoyang city, Henan province, the PRC, one of which is responsible for the production of SRU and VOCs incineration equipment and catalytic cracking equipment, and the other one is responsible for the production of process burners and heat exchangers. For the year ended 31 December 2023, our utilisation rate of each of our self-owned production facilities was approximately 100.9% and 70.1%, respectively. In order to capture the growing demand for refinery and petrochemical equipment from domestic and overseas customers, we have leased a production facility in Jiangsu province, the PRC on 1 June 2023, with over 100% utilisation rate. As at the Latest Practicable Date, our ending value of backlog (exclusive of VAT) amounted to approximately RMB421.0 million, representing a significant growth from the years ended 31 December 2021, 2022 and 2023 of approximately RMB186.5 million, RMB409.0 million and RMB366.5 million, respectively. Our Directors are of the view that it is not feasible for us to further capture the increasing demand of our products and the market growth of petroleum refinery and petrochemical equipment industry in the PRC by utilising our existing production facilities as our production facility for production of SRU and VOCs incineration equipment and catalytic cracking equipment has already reach a high level of approximately 100.9%, for the year ended 31 December 2023. As such, our Directors consider that we can only capture the business opportunities arising from the growing demand of petroleum refinery and petrochemical equipment in the coming years and solidify our market position in the PRC by increasing the production capacity of our Group. Our Group plans to construct a new production facility (the "**New Production Facility**") in Luoyang city, Henan province, the PRC, responsible for the production of SRU and VOCs incineration equipment and catalytic cracking equipment.

It is planned that we will construct the New Production Facility on a piece of land owned by us in the New High Technology Development Zone, Jianxi district, Luoyang city, Henan province. The construction will be completed in two phases, with the first phase (construction of the production compartment for SRU and VOCs incineration equipment and catalytic cracking equipment and ancillary facilities, including warehouse for finished goods and materials, testing facilities and supporting equipment) (the "**Phase One Construction**") and the second phase (construction of the administrative office, dormitories and supporting facilities) (the "**Phase Two Construction**") planned to be completed within the first quarter of 2025 and by the first quarter of 2026, respectively. It is expected that our production capacity will be increased by 100% upon the completion of and full operation of the New Production Facility.

We expect that we would commence the trial operation of the production compartment for petroleum refinery and petrochemical equipment within three months after the completion and obtain approval from the relevant government authority by the second quarter of 2025 upon the completion of the trial operation of the New Production Facility. Based on our understanding, to commence our trial operation of Phase One Construction, we would be granted a temporary permit from local authority, stating their permission and approval to commence trial operation. It is estimated that we would receive the approval to commence trial operation by the second quarter of 2025. During the design stage of the New Production Facility, we will ensure that the design and construction of the New Production Facility meet the relevant legal requirements. As at the Latest Practicable Date, we have engaged an Independent Third Party consultant to complete a feasibility report on the proposed construction of the New Production Facility to evaluate, among others, construction and commissioned design works, coordination with and grant of approval from relevant government authorities, costs and environmental impact for the construction of the New

Production Facility and market and prospect of sales of oil refinery and petrochemical equipment. We have also obtained approval for the environmental impact report on the proposed construction of the New Production Facility from the relevant government authority.

The construction works for Phase One Construction are expected to be completed within the first quarter of 2025. We will then lodge the application to the relevant government authority for inspection and acceptance of our construction projects. We estimate that it will take approximately one to two months for the government authority to grant the acceptance and then we could commence the trial operation for production. It is also estimated that our Phase Two Construction will be completed by the first quarter of 2026.

The estimated capital expenditure for constructing the New Production Facility

Our Directors consider that the parcel of land on which the New Production Facility will be constructed is expected to have a gross floor area up to 52,643 sq.m. with an estimated building area of approximately 45,390 sq.m.. The estimated building area is intended to be utilised as follows: (i) approximately 37,390 sq.m. will be used for production compartments for SRU and VOCs incineration equipment and catalytic cracking equipment and ancillary facilities (including warehouses for finished goods and materials, testing facilities and supporting equipment); and (ii) approximately 8,000 sq.m. will be used as administrative office, dormitories and supporting facilities for our staff.

It is expected that major capital expenditure required for constructing the New Production Facility includes (i) the construction cost; (ii) the purchase costs of machinery and equipment; and (iii) installation cost. Based on the current planning, the estimated investment for the New Production Facility would be at approximately RMB98.5 million. The estimated consideration for the construction costs and capital expenditure for the purchase of machinery and equipment of approximately RMB98.5 million is based on market quotations obtained from a PRC certified cost engineer and equipment providers. We will be relying on the net proceeds from the Global Offering, our internal resources and/or via external financing, with the following detailed items breakdown:

	Net proceeds from the Global Offering to be used		**Total estimated investment cost**
	RMB'million	*HK$'million*	*RMB'million*
Construction cost	49.5	54.0	81.7
Purchase costs of machinery and equipment	6.0	6.5	14.8
Installation cost	—	—	2.0
Total	55.5	60.5	98.5

The following sets out the timeline of our investment in our New Production Facility:

	Investments to be made during each period indicated					
	The Latest Practicable Date to 30 June 2024	1 July 2024 to 31 December 2024	1 January 2025 to 30 June 2025	1 July 2025 to 31 December 2025	1 January 2026 to 30 June 2026	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Construction costs	—	23.9	40.2	5.0	12.6	81.7
Purchase costs of machinery and equipment	—	—	14.8	—	—	14.8
Installation cost	—	—	2.0	—	—	2.0
	—	23.9	57.0	5.0	12.6	98.5

We intend to partially finance the construction cost, purchase costs of the machinery and equipment and installation cost of the New Production Facility of approximately HK$60.5 million (equivalent to approximately RMB55.5 million) by the net proceeds from the Global Offering and the remaining costs of approximately HK$46.9 million (equivalent to approximately RMB43.0 million) will be financed by our internal resources and external financing (if necessary). For details, see "Future Plan and Use of Proceeds" in this prospectus.

Analysis of investment payback period and breakeven points

For reference and illustration purpose only, set forth below is a highly hypothetical analysis on the investment payback period and breakeven points and the key assumptions used in calculating the investment payback period and breakeven points in respect of our New Production Facility.

We consider that a new production compartment achieves breakeven when the revenue it generated is able to cover its costs and expenses arising in the same year on an accounting basis. The production scale required to achieve breakeven varies depending on various factors, including but not limited to general economic and market conditions, market demands, utilisation rate of our production compartments, market competition, labour costs and price of materials. We consider that a new production compartment achieves investment payback when the total future net cash flow generated from operating activities since the commencement of business operation is able to cover the total investment amount. The time required to achieve investment payback varies depending on various factors, including those mentioned above and the capital expenditure including construction costs, purchase costs of relevant machinery and equipment and installation costs.

Our key assumptions used in calculating the investment payback period and breakeven points in respect of our New Production Facility mainly include the Phase One Construction will commence trial operation in the second quarter of 2025 with 50% utilisation rate and 80% utilisation rate in average after six-months trial operation period ends. It is estimated that, based on our Directors' knowledge and experience, the breakeven points and the investment payback period are expected to be approximately seven months and 3.9 years, respectively, after completion of the construction of the New Production Facility. Our Directors believe that the assumed utilisation rate of the New Production Facility is pulled by our sufficient orders.

Further strengthening our design and research and development capabilities.

As at the Latest Practicable Date, we have collaborated with and established one testing and research centre with Honeywell China. Leveraging our existing technological advantage, we will continue to strengthen our in design and research and development capabilities and improve our ability to convert our research achievements into engineering capabilities to meet our customers' demands in relation to industry transformation, energy saving and emissions reduction in light of the prevailing government policies. We believe that by enhancing our design and research and development capabilities, we shall be able to improve our product quality, efficiency and market competitiveness which in turn improve our profitability.

We plan to (i) expand our research and development team and enhance our research and development facilities; and (ii) further engage in collaborative research and development programs with universities and research institutions.

Expand our research and development team and enhance research and development facilities

In order to continue our product invention so as to widen our product offerings, enhance production procedures and techniques and achieve higher research and development effectiveness, we consider our research and development capabilities are vital to our continuous business growth. Hence, to cater for the increasing demand of our research and development function, we need to expand our research and development team.

Our research and development team is broadly sub-divided into product development and enhancement; testing and engineering; project design and management; and collaborations with universities and institutions. As at the Latest Practicable Date, our research and development team consist of 85 personnel, with 61 personnel stationed in Luoyang and 24 personnel stationed in Shanghai, the PRC, including (i) 25 specialists and designers who communicate with our sale team to understand the specifications of our customers and analyses the technical aspects and designs and adjust the composition and feature of our equipment as well as to work closely with our major materials and components suppliers; (ii) five officers and technicians who are responsible for project management and communicate with quality control team when quality issue arise; (iii) 13 technicians and engineers who work on new products inventions and enhancements, including performing data integration and analysis, production process design, process guidance and supervision; (iv) 41 technicians and engineers who work on product testing and communicate with production team when technical issue encounter during production and (v) one officer who is mainly responsible for collaboration with universities and institutions.

Our Directors consider that our existing research and development staff are fully utilised during the Track Record Period. As at the Latest Practicable Date, our backlog (exclusive of VAT) amounted to approximately RMB421.0 million, representing an increase by approximately 14.9% from approximately RMB366.5 million for the year ended 31 December 2023 and an increase by approximately 121.5% from approximately RMB186.5 million for the year ended 31 December 2021. Our existing manpower is not sufficient to cater for the expected increase in number and size of contracts. Thus, we have an imminent need to expand our research and development team. For details, see section headed "Future Plans and Use of Proceeds — Use of Proceeds — 2. Further strengthening our design and research and development capabilities" to this prospectus.

As at the Latest Practicable Date, we achieved the accomplishment of research phase for six existing research and development projects and progressed to the next stage of output's application. In addition to the existing research and development projects to follow up, we have also started six new research and development projects to be executed by 2025, which include upgrading our existing products, industrial extension of product application and new research and development cooperation with East China University of Science and Technology (華東理工大學).

The following table sets out the major research and development projects on product upgrades and extension of product applications as at the Latest Practicable Date:

Name of project	Details of research and its targeted results	Expected year of completion	Approximate project sum
Research and development of key technologies of low eddy current loss and erosion protection for catalytic equipment (催化設備的低渦流損失及侵蝕防護關鍵技術的研究與開發)	This project aims to research and develop key technologies for low eddy current loss and erosion protection of equipment used in catalytic plants, to reduce wear and tear of the equipment, to improve the normal service life of the equipment, to ensure the performance index of the plant, and thus to improve the overall economic output of the plant.	2025	RMB1.3 million
Research and development of low-carbon heat storage energy conversion and utilisation system (低碳儲熱能源轉化與利用系統的研究與開發)	This project aims to research and develop of low-carbon heat storage energy conversion and utilisation system, to build a set of MW-scale calcium-based thermochemical new energy storage devices and completed the test operation, as well as proposed a 100MW calcium-based thermochemical energy storage system technology program, decrease 10% investment and operation cost compared with other similar chemical heat storage technologies.	2025	RMB1.6 million

Name of project	Details of research and its targeted results	Expected year of completion	Approximate project sum
Research and development of ultra-low NOx combustion system for energy saving and carbon reduction (節能減碳超低NOx燃燒系統的研究與開發)	This project aims to research and develop an ultra-low NOx combustion system to effectively control the amount of NOx generated and reduce the amount of CO generated, increase combustion efficiency by at least 2%, reduce the amount of fuel used by 8%, and reduce carbon emissions at the same times.	2025	RMB1.3 million
Research and development of combined air preheating system with efficient recovery of latent heat of vaporisation and deep condensation of flue gas (汽化潛熱高效回收煙氣深度冷凝組合式空氣預熱系統的研究與開發)	This project aims to research and develop combined air preheating system with efficient recovery of latent heat of vaporisation and deep condensation of flue gas, to improve the thermal efficiency of the system by more than 3–5%, realise the continuous operation time of the heat exchanger in acid condensing condition for not less than four years and the service life of the system for not less than eight years, as well as reduce the flue gas emission of solid dust particles to within $10mg/m^3$.	2025	RMB1.3 million
Research and development of medium and low-temperature waste heat deep recovery energy-saving equipment (中低溫餘熱深度回收節能裝備的研究與開發)	This project aims to use non-metallic corrosion-resistant materials to develop various types of plate and tube heat exchangers for gas-gas, gas-liquid, and liquid-liquid heat exchange scenarios to achieve the depth of waste heat utilisation under the medium and low-temperature corrosive environment and solve the corrosion, clogging and other problems, to improve the equipment long cycle operation time, reduce the number of equipment maintenance, improve equipment life, and reduce 15% cost compared with other heat exchangers in the market.	2025	RMB1.4 million
Development of the incineration system for complex waste liquids containing salts and other components (含鹽等複雜廢液焚燒系統的開發)	This project aims to develop efficient incineration and pollutant reduction control technology, to solve the problems of wall combustion, incomplete atomisation of waste liquid and corrosion, blockage, and pollutant compliance of salt-containing waste liquid incineration system due to irrational design, to make the waste gas emission satisfying the emission requirements.	2025	RMB1.4 million

The following table sets out the major research and development projects with East China University of Science and Technology as at the Latest Practicable Date:

Name of project	Details of research and its targeted results	Expected year of completion	Approximate project sum
High temperature waste heat recovery technology of metallurgical slag (冶金熔渣高溫餘熱回收技術)	This project aims to develop high-temperature waste heat recovery technology for metallurgical slag with an energy recovery rate of 80%, to replace the traditional technology in the market, which used a large number of water-quenching slag flushing and generated low-grade waste heat through the metallurgical slag high-temperature waste heat.	2025	RMB2.0 million
High-efficiency treatment technology for waste liquid containing salt, nitrogen and organic silicon (含鹽含氮及含有機硅廢液高效處理技術)	This project aims to improve the current technology for the treatment of waste liquid containing salt, nitrogen and organic silicon, which mainly includes combustion process control, numerical simulation and solid separation technology, and develop a core combustion and solid separation equipment, in order to increase the energy saving efficiency by more than 15% as compared with the existing equipment.	2025	RMB2.0 million
Design and manufacture of key system equipment sample for calcium-based thermochemical energy storage technology (鈣基熱化學儲能技術關鍵系統裝備樣機設計及製造)	This project aims to design and manufacture calcium-based thermochemical energy storage technology key system equipment samples, provide relevant technical analysis, display results, and guide for the application of results.	2025	RMB3.9 million

Moreover, we applied for a total of 32 and 47 patents in the PRC during the years ended 31 December 2022 and 2023, respectively, among which, 24 patent applications are pending examination as at the Latest Practicable Date. The number of patents applications for the year ended 31 December 2023 has increased by approximately 47% compared with that of 2022. Thus, we plan to recruit two additional engineers and technicians on new product development and improving our existing equipment, nine additional technicians and engineers on product testing and one additional officer in collaboration with universities and institutions, so as to help us capture the business opportunities arising from the growing demand for petroleum refinery and petrochemical equipment in the coming years.

In view of (i) the significant growth in our contract backlog; (ii) our strategy of expanding our scale of operations by leveraging the net proceeds from the Global Offering to undertake more sizeable contracts; (iii) the existing research and development projects progressed to next stage of output's application and new research and development projects to be executed by 2025; and (iv) the expected increase in the overall petroleum refinery and petrochemical equipment industry with major petroleum refinery and petrochemical integration projects executed from 2023 to 2026, we intend to utilise approximately HK$10.1 million (equivalent to approximately RMB9.2 million) from the net proceeds of the Global Offering, representing approximately 12.1% of the net proceeds of the Global Offering, for the hiring of a total of 18 staffs for the payment of wages and related social insurance expenses for approximately 18 months after Listing.

To cope with our expanded research and development team, we intend to utilise approximately HK$2.2 million (equivalent to approximately RMB2.0 million), representing 2.6% of the net proceeds from the Global Offering, to purchase the machinery and equipment, mainly consisting of computers and professional supporting software, for research and development purpose.

Engage in collaborative research and development programs with universities and research institutions

During the Track Record Period, we have collaborated with a number of PRC universities to further our design capabilities and attract new talents to join us. Our Directors believe that with the ever-changing technological advancement in the industry, our Group could benefit from such collaborations and maintain our research and development and technical edge in design and manufacture of petroleum refinery and petrochemical equipment. For details, see "Research and Development" in this section. We intend to utilise approximately HK$2.2 million (equivalent to approximately RMB2.1 million) from the net proceeds of the Global Offering, representing approximately 2.8% of the net proceeds of the Global Offering for engaging in collaborative research and development programs with universities and research institutions. In particular, we have entered into an agreement with East China University of Science and Technology (華東理工大學) in March 2022 for the study and technology advancement of a calcium-based chemical reaction heat storage (鈣基化學反應儲熱技術) for three contract years with an estimated costs of approximately RMB3.0 million.

Expanding our business presence in overseas markets.

Our Directors are of the view that overseas markets have many potentials and business opportunities and with our advanced level of technology and research and development capabilities, we would be able to increase our engagements in the overseas markets. To step into the overseas markets, we have established overseas presence in Brazil and Hong Kong. Among which, our overseas presence in Brazil is a company jointly owned by us and two individuals, who are Independent Third Parties and to our Directors' best knowledge were local sellers in Brazil engaging in petroleum refinery and petrochemical business and were introduced to us through our connection in Honeywell International. Simultaneously, we established a subsidiary in Hong Kong, which allows us to take the advantage of Hong Kong as an international business hub with access to global markets and facilitating easier communication with potential overseas customers. In addition, Hong Kong offers a relatively low and simplified tax regime, further enhancing the tax benefits of our Group as a whole. We will dynamically adjust our target markets based on the specific market demands in the future. As present, our overseas sale offices do not have substantial operations.

During the Track Record Period, we generally obtain oversea business opportunities through referrals/introduction from our business partners and/or our sale personnel. For the years ended 31 December 2021, 2022 and 2023, we transacted with four, four and eight overseas customers with revenue recognised of approximately RMB10.2 million, RMB1.2 million and RMB68.1 million, respectively, accounting for approximately 4.1%, 0.3% and 12.5% of our total revenue for the same period, respectively. To our Directors' best knowledge, our overseas customers are principally engaged in the production and sale of petrochemical and provision of petroleum refinery and petrochemical equipment in oversea, which mainly included (i) Customer G, our second largest customer for 2023 and who is the owner of production facilities in Russia. Details of background of Customer G is disclosed under paragraph headed "Our Customers — Our five largest customers" in this section; (ii) a Russian customer principally engaged in engineering, manufacturing, supply and installation of process equipment operating at high temperature in different industries, such as oil refining and petrochemistry with over 20 years of history; (iii) a Brazilian customer who is a process plant supplier; (iv) a listed company in Taiwan Stock Exchange who is a manufacturer of petrochemicals and basic chemical raw materials; (v) an overseas company in Brunei who is also a subsidiary of a listed company in Shanghai Stock Exchange involving in research and development, production and sales of various chemicals, oil products and chemical fiber products; and (vi) an overseas company in Malaysia who is a subsidiary of a state-owned enterprise in the PRC principally engaged in integrating petroleum refining and chemical industry.

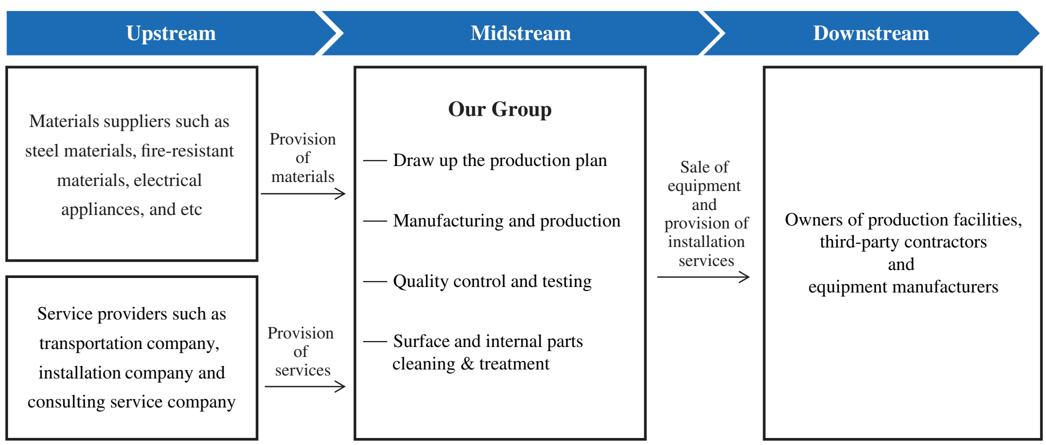
After we obtain the contract from overseas customers, the following principal workflows, such as the execution stage and the storage arrangement, are the same as our business in PRC. In the delivery stage, we will provide delivery services as agreed in the contracts between us and our overseas customers. For details, see "— Our business flow" in this section. Our overseas customers purchased equipment from us rather than their respective local suppliers because our equipment are more diverse and comparatively lower in price than the products they sourced locally in overseas. According to F&S, the supply chain for oil refinery and petrochemical equipment is integrated and expanded internationally and there is increasing overseas end-users source equipment from the PRC market due to the country's diverse range of manufacturing capabilities and competitive pricing. PRC equipment manufacturers offer a broad selection of oil refinery and petrochemical equipment catering to the specific needs and requirements of customers. This trend has allowed overseas end users to access cost-effective solutions and a wider variety of equipment options compared to sourcing locally in their respective countries. Our Directors confirm that we have not received any complaints or report of any material issues regarding the quality, legality of the equipment sold to our overseas customers as at the Latest Practicable Date.

Going forward, we will continue to participate in local and international exhibitions and conference constantly and actively study the changing trends and preferences of our customers in order to tailor our promotional initiatives to better attract their attention. We will also upgrade and optimise our website to increase the number of readable languages so as to increase the accessibility of our website to international customers; and publish advertisements and promotional videos, in order to enhance our Company's image.

OUR BUSINESS MODEL

We mainly design, manufacture and supply petroleum refinery and petrochemical equipment that are customised to meets our customers' requirements. We currently have four product categories, namely (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers; and the related parts and components. During the Track Record Period, we also provide installation services for the equipment manufactured by us only and/or ancillary facilities such as electrical erection work and mechanical erection work, to our customers under manufacturing and sale of equipment as this is a part and parcel of our manufacturing and sale of equipment.

We set out below flowchart showing our business activities in the manufacturing and sale of petroleum refinery and petrochemical equipment during the Track Record Period.



OUR PRODUCTS AND SERVICES

The following table sets out a breakdown of revenue by business activities for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Manufacturing and sale of equipment						
SRU and VOCs incineration equipment	101,719	41.0	72,854	17.4	77,218	14.2
Catalytic cracking equipment	63,273	25.5	251,625	60.0	319,266	58.7
Process burners	29,971	12.1	45,046	10.8	114,264	21.0
Heat exchangers	50,832	20.5	45,767	10.9	33,381	6.1
Subtotal	245,795	99.1	415,292	99.1	544,129	100.0
Installation services	2,249	0.9	3,781	0.9	—	—
Total	248,044	100.0	419,073	100.0	544,129	100.0

Manufacturing and sale of equipment

SRU and VOCs incineration equipment

We manufacture four main equipment used in SRU and VOCs incineration equipment, including: (i) catalysing reactor; (ii) waste heat boiler; (iii) sulfur condenser; and (iv) burner used in SRUs. Our SRU and VOCs incineration equipment are mainly applied in industries such as petroleum refining, petrochemical and specialty chemical.

Catalysing reactor is responsible for boosting catalytic effect in order to decompose and turn organic sulphur compound such as carbonyl sulfide and carbon disulfide into hydrogen sulfide and carbon dioxide.

Waste heat boilers are typically connected to the outlet of heat reactors and they serve two main functions during the process of sulphur recovery being, (i) to recover high heat by producing medium steam; and (ii) to cool down the steam gas during the process.

Sulphur condenser is a type of heat exchanger which serves to cool down and condense sulphur generated in the upstream reaction sections.

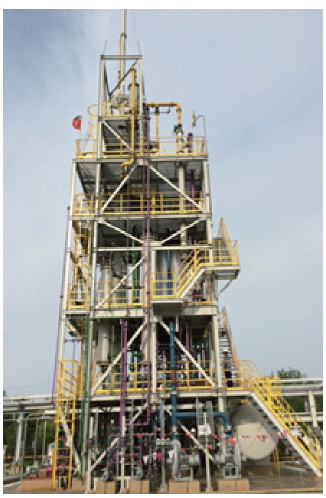
Burners used in SRUs are responsible for mixing fuel gas, acidic gas and combustion air into a definite form and then spraying it into the fire channel and furnace to generate combustion reaction. Depending on the needs of our customers, we mainly design and manufacture three types of burners, being (i) acid gas reaction furnace burner; (ii) online heat furnace burners; and (iii) tail gas incinerator burners.

In addition, our Group is able to provide a complete set of system equipment (成套設備) for sulfur recovery and aimed at small and medium sized sulfur plants with an annual output of less than 60,000 tons and we use the "two-stage CLAUS + selective hydrogenation + selective oxidation" process, with a total sulfur recovery rate above 99%. Such sales amounted to nil, approximately RMB13.0 million and nil, respectively, for the years ended 31 December 2021, 2022 and 2023, accounting for nil, approximately 3.1% and nil of our revenue from manufacturing and sale of equipment, respectively, for the same period. Based on this, our Directors considered that the sale of sulfur recovery system is not a major equipment of our Group and we focus on the provision and sale of the abovementioned major equipment under the SRU and VOCs incineration equipment whose target customers consist of key and large petroleum refinery and petrochemical companies in the PRC.

Our waste gas and waste liquid incineration solution equipment is aimed at waste gas and waste liquid produced in different industries. It uses its own technology to effectively remove harmful components in waste gas and waste liquid, so that the emissions after incineration can meet the relevant environmental protection emission standards. Such sales amounted to approximately RMB10.6 million, RMB1.4 million and nil, respectively, for the years ended 31 December 2021, 2022 and 2023, accounting for approximately 4.3%, 0.3% and nil for our revenue from manufacturing and sale of equipment, respectively, for the same period.

For the years ended 31 December 2021, 2022 and 2023, we generated revenue of approximately RMB101.7 million, RMB72.9 million and RMB77.2 million, respectively, from the sale of SRU and VOCs incineration equipment. Our Directors believe that driven by the expansion of refinery capacity, the development of domestic petrochemical industry and environmental protection measures adopted in the PRC, the market demand for our SRU and VOCs incineration equipment will continue to grow in the coming years.

Key equipment under SRUs and VOCs incineration	Function
Catalysing reactor 	Catalysing reactor is responsible for boosting catalytic effect in order to decompose and turn organic sulphur compound such as carbonyl sulfide and carbon disulfide into hydrogen sulfide and carbon dioxide.
Waste heat boiler 	Waste heat boiler is a fire tube boiler connected to heat reactors used in SRUs. It mainly serves to recover high heat by producing medium pressure steam and cool down the gas during the process.
Sulphur condenser 	Sulphur condenser forms the shell and tube boiler of a special type of heat exchanger. The main function is to cool down sulphur generated in the upstream reaction section of heat exchanger systems.
Burner used in SRUs 	Burner used in SRUs is responsible to mix fuel gas, acidic gas and combustion air into a definite form and product combustion reaction by spraying the mixture into fire channels and furnaces. Efficient burners can improve the conversion rate of elemental sulphur in thermal reactors, eliminate the influence on downstream equipment from heavy hydrocarbon of ammonium salt or other impurities and ensure efficiency and reliable operation of SRU equipment.

System equipment (成套設備) under SRUs and VOCs incineration	Function
Sulfur recovery system 	We use the "two-stage CLAUS + selective hydrogenation + selective oxidation" process, with a total sulfur recovery rate above 99%.
Incineration system for chlorofluorocarbons 	Incineration system for chlorofluorocarbons will burn chlorofluorocarbons at a high temperature in the 1,200°C furnace, and then enter the scrubber after spraying and cooling to avoid the generation of dioxins and effectively remove the harmful substances in the flue gas.

Catalytic cracking equipment

Our catalytic cracking equipment is usually used in industries such as that of petroleum refinery, methanol and coal chemical operation. We focus on the design and manufacture of catalytic cracking equipment which are cost effective and reliable. During the years ended 31 December 2021, 2022 and 2023, we generated revenue of approximately RMB63.3 million, RMB251.6 million and RMB319.3 million, respectively, from the sale of catalytic cracking equipment.

The main equipment used in the catalytic cracking unit and their respective functions are shown below:

Key catalytic cracking equipment | **Function**

Burner for large CO incineration

Burner for large CO incineration serves to mix supplementary fuel gas and combustion air and burn evenly.

We mainly own two invention patents for the burner for large CO incineration, namely "Built-in integrated smoke exhaust-heat boiler burner for catalysis device" (一種內置式一體化催化裝置煙氣餘熱焗爐燃燒器) (Application no. 2009100662364) and "A kind of efficient burning low pressure drop CO incinerator" (一種高效燃燒低壓降CO焚燒爐) (Application no. 2014107699591), which are protecting the manufacturing, selling and development and enhancement of our burner for large CO incineration. As advised by our PRC Legal Advisers, the term of our invention patent is 20 years from the date of application. The expiry date of the "Built-in integrated smoke exhaust-heat boiler burner for catalysis device" and "A kind of efficient burning low pressure drop CO incinerator" are 22 October 2029 and 14 December 2034, respectively. For details, see "Statutory and General Information — Further Information about the Business of Our Group — Our material intellectual property rights" in Appendix V to this prospectus.

Compared with the traditional burner, our burner for large CO incineration takes into account good furnace integrity, simple construction, and full mixing to ensure that the CO content in flue gas is less than 10ppm; while at the same time, it can reduce the investment cost.

Key catalytic cracking equipment	**Function**
Low pressure auxiliary combustion chamber 	Under the premise of ensuring the combustion effect of the burner in the catalytic auxiliary heating chamber, the pressure drop of the main air system in the catalytic auxiliary heating chamber can be effectively reduced to achieve a good energy-saving effect.
Low pressure water sealed tank 	We developed a type of low pressure water sealed tank in 2011. When compared to previous model of water sealed tanks, our product can reduce pressure drop by more than 75% during the transportation of low-pressure gas phase medium with large flow and large flow channel, achieving good energy saving effect.

Process burners

Our process burners are commonly used in industries such as petroleum refining, petrochemical, chemical and clean heating. During the years ended 31 December 2021, 2022 and 2023, we generated revenue of approximately RMB30.0 million, RMB45.0 million and RMB114.3 million, respectively, from the sale of process burners.

Key process burners	**Function**
Low NOx process burner 	Low NOx process burners are part of furnaces used in the petrochemical and refinery industry. Process burners are used for providing energy through combustion and will be used in different appliances such as hydrogen production unit, delayed coking unit and VDU and CDU heaters.

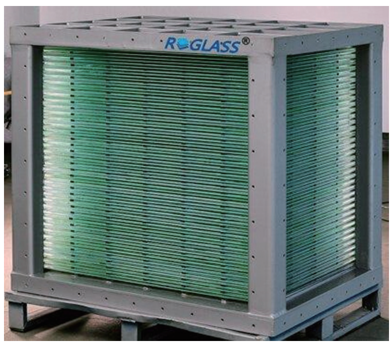
Heat exchangers

We mainly manufacture and supply a combination of traditional heat exchangers being, glass plate heat exchanger and metal plate heat exchanger; and wet plume treatment products. Typically, heat exchangers are used in petroleum refining, steel making, thermal power generation and industrial furnaces. During the Track Record Period, we also provided wet plume treatment products that help to process the white smoke in the three types of manufacturing activities, being pulp and paper industry, natural gas plants and steel mills.

Leveraging our research and development experience and expertise, we obtained the relevant invention patents for our glass plate heat exchanger in 2012 which is mainly used in air preheaters in the petrochemical industry.

Our glass plate heat exchanger is branded under our registered trademark "RGLASS" in the PRC in 2015 and is designed to improve the efficiency of the heating furnace and can significantly reduce furnaces' exhaust temperature. In recognition of our innovative abilities, we received the second-class award for the "Prize for Progress of Science and Technology of Luoyang City" (洛陽市科技進步二等獎) issued by the Luoyang City People's Government in 2015.

During the years ended 31 December 2021, 2022 and 2023, we generated revenue of approximately RMB50.8 million, RMB45.8 million and RMB33.4 million, respectively, from the sale of heat exchangers.

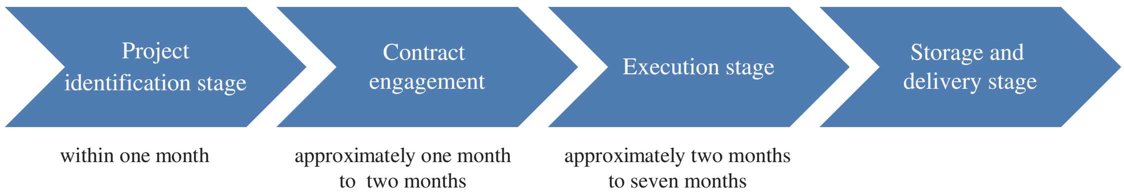
Key heat exchangers	Function
Glass plate heat exchanger 	The glass plate heat exchanger is mainly used in the low temperature flue gas section of the air preheater. We obtained the authorisation of invention patents in China, the European, and the United States, forming a very complete intellectual property protection system. We mainly own two invention patents for the glass plate heat exchanger, namely ''the plate type heat exchanger of Efficient non-metallic corrosion resistant heat exchanger rig and this heat-exchanger rig of tool''(高效非金屬抗腐蝕換熱裝置及具該換熱裝置的板式換熱器) (Application no. 2013104766585) and ''plate type air preheating device with adjusting function'' (一種具有調節功能的板式空氣預熱裝置) (Application no. 2015100014827) in the PRC. The expiry date of above-mentioned patents are 13 October 2033 and 4 January 2035, respectively. For details, see ''Statutory and General Information — Further Information about the Business of Our Group — Our material intellectual property rights'' in Appendix V to this prospectus. Compared with the traditional metal plate heat exchanger, the glass plate heat exchanger uses special heat-resistant glass as the heat exchange element. Under design conditions, its heat transfer capacity is equivalent to that of metal plate heat exchanger. At the same time, it has better corrosion resistance and surface ash resistance than metal, which can completely solve the corrosion and blockage problems of low temperature air preheater, thereby making it more durable and reliable.

Key heat exchangers	**Function**
Metal plate heat exchanger 	Our metal plate heat exchanger is a patented product. It is used together with the glass plate heat exchanger as the high-temperature flue gas section of the air preheater system. We mainly own two invention patents for the metal plate heat exchanger, namely ‘‘A kind of arc plate type heat exchanger’’ (一種弧形板式換熱器) (Application no. 2014107685847) and ‘‘A kind of tubular arc heat exchange plate type heat-exchanger rig’’ (一種筒狀弧形換熱板式換熱裝置) (Application no. 2014107677380). The expiry date of ‘‘A kind of arc plate type heat exchanger’’ and ‘‘A kind of tubular arc heat exchange plate type heat-exchanger rig‘‘ are 14 December 2034 and 14 December 2034, respectively. For details, see ‘‘Statutory and General Information — Further Information about the Business of Our Group — Our material intellectual property rights’’ in Appendix V to this prospectus. The metal plate heat exchanger has the characteristics of compact structure, good sealing, and high heat transfer coefficient. Different from other traditional metal plate heat exchangers on the market, our products are internally designed with a patented self-conducting flow support structure, which can effectively resist the high temperature deformation of the heat exchanger plate, play a good role in guiding and dispersing the heat transfer fluid, and avoid the dead zone of flow field and abnormal pressure in the heat exchanger due to bias flow.

Key wet plume treatment products	**Function**
Plate form modified polymer phase transition agglomerator 	The product's core is made of modified polymer plates and the shell is made of metal with anti-corrosion coating. It is mostly used in flue gas de-whitening projects. Compared with material such as metal and glass, plate form polymer phase transition agglomerator is compact and lightweight, and is resistance to acidic corrosion of sulfur and nitrogen-containing compounds.
Tube form modified polymer phase transition agglomerator 	The product's core is made of modified polymer tube and the shell is made of modified polymer material. It is mostly used in waste heat recovery projects. It can also be used in corrosive liquid environment with low temperature.
Glass tube phase transition agglomerator 	The product's core is made of glass tube and the shell is made of metal with anti-corrosion coating. It is mostly used in flue gas de-whitening projects. Compared with modified polymer material, glass tube heat exchanger has better heat and corrosion resistance.

Our business flow

The following diagram illustrates the principal workflow in our business operations. The production costs and duration involved in each contract depend on the size, complexity and requirements of individual customers.



Project identification stage

Our sales and marketing team generally secure our contracts directly with customers through our sales, referrals, tendering/quotations, or direct negotiation. With the help of our technicians, our sales and marketing team seeks to understand the requirements and technical specifications of potential customers through initial discussion with potential customers or obtaining the tender documents or invitation to offer documents from the potential customers. Based on the specific requirements of each tender, we will review our technical qualifications and capacity to ensure that we can meet the requirements. Our sales and marketing team with the technical support from our technicians will prepare a preliminary proposal based on customers' specifications and expected budget in response to a tender.

Contract engagement

We generally obtain sales contracts through (i) tendering or quotations; and (ii) direct negotiation. Over the years of business development, we have maintained a solid sales and marketing network.

Tendering/quotations

For the years ended 31 December 2021, 2022 and 2023, approximately 77.6%, 81.2% and 75.3% of our sale contracts (in terms of contract values) were secured through tendering with total contract value (inclusive of VAT) of approximately RMB295.0 million, RMB573.5 million and RMB426.6 million, respectively. Typically, a preliminary proposal contains the proposed equipment design, technical specifications, our technical qualifications, work scope, estimated timetable and fee quotes. Should the customer select us, we will proceed to review and negotiate the contract terms.

For the years ended 31 December 2021, 2022 and 2023, our overall tender success rate (calculated by dividing the number of contracts awarded in respect of the tenders submitted during the year by the total number of tenders submitted during the year) was approximately 53.9%, 46.3% and 51.4%, respectively. Our Directors consider that we focus on the contract size compared to the tender success rates and we submit more tenders on contracts with larger contract sum. Due to such a strategy, we have successfully tendered for relatively sizeable contracts during the Track Record Period.

Direct negotiation

We may also obtain contracts through direct negotiation with our customers. When a sales contract is obtained through direct negotiation, the workflow of such contract are similar to the workflow of tender contracts, except that we do not need to prepare or submit any tender document at the preliminary stage.

Execution stage

Based on the preliminary proposal, our technicians will formulate the production plan. The production plan will include detailed implementation with design, technical and execution plan. If our customers require us to provide installation services in addition to equipment manufacturing, we will obtain quotations from our qualified supplier for installation services in order to include such costs in our fee quote to our customers. Once our customers are satisfied with our initial design plan and our fee quote, we will enter into contract and finalise the production plan.

Upon finalisation of the production plan, we will then proceed to procure the materials and components required for the production of our products upon signing of sale contracts or our receipt of the advance payment for customers. We manufacture our equipment based on the detailed design, technical and execution plan provided by technicians. Our principal materials and components used included steel materials, such as steel plates and steel pipes; and components included electrical parts and fire resistant materials. We generally manufacture products and components that relate to our proprietary technologies ourselves to ensure that our proprietary technologies are kept confidential and to ensure the quality of our equipment. In general, our production process involves cutting, drilling, assembling, welding, and painting. During the course of our production, our customers will generally be required to make progress payment pursuant to the terms of the sale contract.

During our production process, our quality control team will conduct inspection and test to ensure that each part of the equipment is properly manufactured and is functioning at the required standards.

Storage and delivery stage

After completing the final inspection, we will proceed to store the qualified equipment at a designated place and deliver the equipment to our customers as per the arrangement required by each customer. We also provide the necessary assistance and supervision during the process of delivery and installation to our customers.

Warranty period

Our contracts typically stipulate a warranty period of 12 months from the date of the normal operation of our products or 18 months from the date of delivery of our products, whichever is earlier. During the warranty period, we provide after-sale services to our customers free of charge if our products malfunction is due to product defects. If our warranty period has expired or the malfunctions are caused by improper use or maintenance by the customers, we may charge service fees incurred and/ or cost of parts and components if our customers are agreeable with such term quotation. During the Track Record Period and up to the Latest Practicable Date, there was no material claim brought against our Group by our customer and cost incurred for rectifying defective products was not material.

Installation services

In order to maintain our competitiveness in the market, upon requests by our customers, we have provided installation services to our customers in the manufacturing and sale of equipment during the Track Record Period. This includes installation services for equipment manufactured by us only and/or together with ancillary facilities.

In the event that any of our customers in the manufacturing and sale of equipment require us to provide installation services for the equipment manufactured by us and/or together with ancillary facilities, we normally do not enter into a separate service contract with our customers as the terms regarding those services are included in the main contract of sale of equipment and this is an industry practice as confirmed by F&S. The salient terms of our installation services are fairly straight-forward which usually set out that the installation services and/or the parts and components for the installation services are to be provided by our Group. In addition to the installation services for the equipment manufactured by us only, during the Track Record Period, there is one customer who engaged us for the installation of equipment manufactured by us and ancillary facilities, such as platforms and escalators, mechanical erection work and electrical erection work. Our installation services is part and parcel of our manufacturing and sale of equipment as we provide such services to our customers under our manufacturing and sale of equipment business. As we outsource such installation services to third-party installation companies, we will enter separate agreements with third-party suppliers for installation services to be provided to our customers. Upon receiving requests for installation services from our customers, we shall estimate the cost incur and/or obtain price quotations from third-party installation companies and provide our quotation for manufacturing and sale of equipment and provision of installation services to our customers. According to F&S, equipment manufacturers may sometimes be engaged by their customers for installation services for the equipment manufactured by them and/or ancillary facilities and this is common in the industry.

The price of these contracts which include the manufacturing and sale of equipment and installation services is generally a fixed fee, taking into account the estimated cost of equipment, scope of installation services, costs for carrying out the services and/or whether any outsourcing engaged. Our fee is payable either in one lump sum for sales of equipment and/or by instalment after completion of specified progress milestone set out in the contract if installation services are involved. F&S is of the view that the pricing mechanism and terms offered by us in relation to our manufacturing and sale of equipment and installation services are in line with the industry players in the PRC.

Details of our major and completed equipment-related contract which include installation services are disclosed in paragraph headed "Our Contracts — Major and completed equipment-related contracts during the Track Record Period" in this section.

OUR CONTRACTS

Our contracts can be broadly classified as (i) equipment-related contracts which include the sales of equipment and related parts and components and installation services in one contract as it is part and parcel of our manufacturing and sale of equipment; and (ii) parts and components contracts which include sales of parts and components standalone in one contract. The following table sets out a breakdown of our revenue and the number of contract by contract types during the Track Record Period:

	Year ended 31 December								
	2021			2022			2023		
	Number of contracts	*RMB'000*	*%*	*Number of contracts*	*RMB'000*	*%*	*Number of contracts*	*RMB'000*	*%*
Equipment-related contracts	179	236,542	95.4	158	404,148	96.4	202	535,444	98.4
Parts and components contracts	196	11,502	4.6	190	14,925	3.6	189	8,685	1.6
Total	375	248,044	100.0	348	419,073	100.0	391	544,129	100.0

Equipment-related contracts awarded to our Group during the Track Record Period and up to the Latest Practicable Date

The following table sets out the number of equipment-related contracts awarded to us during the Track Record Period and up to the Latest Practicable Date and the corresponding aggregate awarded contract sum (exclusive of VAT):

	Year ended 31 December			From 1 January 2024 to the Latest Practicable
	2021	2022	2023	Date
Number of equipment-related contract awarded *(Note 1)*	190	190	154	82
Corresponding aggregate awarded contract sum (exclusive of VAT) *(RMB'000)*	322,517	628,278	497,204	158,694

Note:

1. The number of contracts awarded includes all equipment-related contracts for a particular year during which we were engaged by our customers and we had signed the relevant sale contract and irrespective of whether our tender was submitted during the same year.

Our Group generally submits for more tenders than our available capacity in order to secure sufficient sales for optimisation of our resources and we focus on and occupy ourselves with larger contracts before turning to contracts with smaller size. During the years ended 31 December 2021, 2022 and 2023, we were awarded with 190, 190 and 154 equipment-related contracts with corresponding aggregate awarded contract sum (exclusive of VAT) of approximately RMB322.5 million, RMB628.3 million and RMB497.2 million, respectively.

Equipment-related contracts with revenue recognition during the Track Record Period

The following table sets forth a breakdown of revenue contribution from equipment-related contract undertaken by range of revenue recognition during the Track Record Period:

	Year ended 31 December					
	2021		**2022**		**2023**	
	Number of contracts	*RMB'000*	*Number of contracts*	*RMB'000*	*Number of contracts*	*RMB'000*
Revenue recognised						
Above RMB10 million	3	48,178	10	225,467	11	323,641
Above RMB5 million to RMB10 million	6	39,191	7	49,725	7	54,265
Above RMB1 million to RMB5 million	47	111,126	48	105,126	54	120,985
RMB1 million and below	123	38,047	93	23,830	130	36,553
Total	179	236,542	158	404,148	202	535,444

Major and completed equipment-related contracts during the Track Record Period

Some of our major and completed equipment-related contracts with contract sum (inclusive of VAT) over RMB10 million during the Track Record Period are as follows:

No.	Customer	Products/ services provided	Location/ delivery place	Engagement date (Note 1)	Completion date (Note 2)	Contract sum (Note 3) *RMB'000*	Revenue recognised during the Track Record Period (Note 4) *RMB'000*	Duration of the contracts (Note 5) (number of months)
1	Customer A	SRU and VOCs incineration equipment	Anqing	November 2020	August 2021	18,000	15,929	10
2	Ningbo Zhongneng Liantong Machinery Co., Ltd* (寧波中能連通機械有限公司) ("**Ningbo Zhongneng**")	Heat exchangers	Huizhou	November 2020	December 2021	22,000	19,469	14

No.	Customer	Products/ services provided	Location/ delivery place	Engagement date (Note 1)	Completion date (Note 2)	Contract sum (Note 3) *RMB'000*	Revenue recognised during the Track Record Period (Note 4) *RMB'000*	Duration of the contracts (Note 5) (number of months)
3	Guizhou Jinze New Energy Science Technology Co., Ltd* (貴州金澤新能源科技有限公司) ("**Guizhou Jinze**") (Note 6)	SRU and VOCs incineration equipment and installation service	Guizhou	April 2021	September 2022	14,980	13,097	18
4	Customer A	SRU and VOCs incineration equipment	Yueyang	June 2021	May 2022	10,705	9,474	12
5	Customer A	Catalytic cracking equipment	Anqing	October 2021	April 2022	11,750	10,398	7
6	Customer A	Catalytic cracking equipment	Yangzi	December 2021	May 2022	21,282	18,833	6
7	Customer A	Catalytic cracking equipment	Anqing	March 2022	November 2022	81,028	71,706	9
8	Customer A	Catalytic cracking equipment	Wuhan	March 2022	November 2022	20,531	18,169	9
9	Customer A	Catalytic cracking equipment	Anqing	February 2022	May 2022	21,257	18,811	3
10	Customer A	Catalytic cracking equipment	Yangzi	April 2022	October 2022	13,350	11,814	6
11	Customer A	Catalytic cracking equipment	Yangzi	August 2022	December 2022	11,604	10,269	5
12	Customer E (Note 6)	SRU and VOCs incineration equipment and installation service	Luoyang	March 2022	September 2022	17,000	15,138	7
13	Customer A	Catalytic cracking equipment	Wuhan	April 2022	March 2023	15,935	14,102	12
14	Customer I	Catalytic cracking equipment	Longkou	May 2022	June 2023	23,500	20,796	12
15	Customer A	Catalytic cracking equipment	Yangzi	April 2022	March 2023	19,500	17,257	12
16	Customer A	Catalytic cracking equipment	Yangzi	June 2022	March 2023	66,650	58,982	10
17	Customer I	Catalytic cracking equipment	Longkou	May 2022	August 2023	21,600	19,115	15
18	Customer A	Catalytic cracking equipment	Ningbo	October 2022	August 2023	41,714	36,915	11
19	Customer A	Catalytic cracking equipment	Ningbo	November 2022	September 2023	31,852	28,188	11

No.	Customer	Products/ services provided	Location/ delivery place	Engagement date (Note 1)	Completion date (Note 2)	Contract sum (Note 3) *RMB'000*	Revenue recognised during the Track Record Period (Note 4) *RMB'000*	Duration of the contracts (Note 5) (number of months)
20	Customer A	Catalytic cracking equipment	Ningbo	January 2023	September 2023	24,868	22,007	9
21	Customer G	Process burners	Russia	November 2022	November 2023	62,523	62,456	13
22	Customer H	Catalytic cracking equipment	Ningbo	April 2023	November 2023	46,000	40,708	8
23	Customer D	Heat exchangers	Qianan	June 2022	December 2023	21,500	19,027	19
24	Customer H	Process burners	Ningbo	November 2022	December 2023	10,320	9,133	14

Notes:

1. Engagement date refers to the date when our customer issued tender acceptances or entered into a sale contract with us.

2. Completion date refers to the date when we complete revenue recognition of a sale contract with our customer.

3. Contract sum represents sale contract amount including VAT and other sales taxes (if applicable).

4. Revenue recognised (excluding VAT) had taken into account relevant adjustments to the contract value pursuant to the variation of the term of original contract agreed between the relevant parties.

5. Duration of the contracts refers to the period between the engagement date and the completion date.

6. The sale contracts with Guizhou Jinze and Customer E involved the manufacturing and sale of SRU and VOCs incineration equipment and installation services for equipment manufactured by us only. Details of background of Guizhou Jinze and Customer E are disclosed in "— Our Customers — Our five largest customers" in this section. The revenue derived from sale of equipment is recognised when the equipment is delivered to Guizhou Jinze and Customer E while the revenue from installation services are recognised by stage based on the performance progress. We recorded total revenue from Guizhou Jinze and Customer E on these contracts of approximately RMB13.1 million and RMB15.1 million, respectively, among which approximately RMB10.3 million and RMB12.9 million were derived from manufacturing and sale of equipment, respectively, and approximately RMB2.8 million and RMB2.2 million were derived from provision of installation services, respectively.

BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog represents our estimate of sales contract value that remains to be completed as of a certain date. The sales contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. As at the 31 December 2021, 2022 and 2023 and up to the Latest Practicable Date, the aggregate contract value of our backlog (exclusive of VAT) was approximately RMB186.5 million, RMB409.0 million, RMB366.5 million and RMB421.0 million, respectively.

The following table shows the movement of our backlog during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			From 1 January 2024 to the Latest Practicable Date
	2021	**2022**	**2023**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening value of backlog (exclusive of VAT)	102,632	186,502	408,971	366,475
New contract sum[(1)]	332,210	641,897	502,063	173,802
Difference due to variation of original contracts and reference date of contracts[(3)]	(296)	(355)	(430)	185
Revenue recognised	(248,044)	(419,073)	(544,129)	(119,462)
Ending value of backlog[(2)(4)]	186,502	408,971	366,475	421,000

Notes:

1. The new contract sum is the original contract sum (exclusive of VAT) based on the initial sale contracts with our customers.

2. Ending value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to the sale contracts.

3. The backlog calculation had taken into account relevant adjustments to the contract value pursuant to the variation of the terms of the original contract agreed between the relevant parties.

4. As at the Latest Practicable Date, our ending value of backlog of approximately RMB421.0 million, which was derived from sale orders of SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers of approximately RMB172.5 million, RMB179.5 million, RMB40.8 million and RMB28.2 million, respectively.

Loss-making contracts

Our sales are on contract-basis and each individual customer may place a number of orders to us and enter into a number of sales contracts with us for use in each of their production facilities. Our Directors consider a loss-making contract arose when loss appeared from sale contracts of the same production facilities as a whole.

During the Track Record Period, we recorded one, three and three loss-making contracts, with aggregate gross loss of approximately RMB0.5 million, RMB0.7 million and RMB0.1 million, for the years ended 31 December 2021, 2022 and 2023, respectively, representing approximately 0.7%, 0.5% and 0.06% of our total gross profit, respectively, for the same period. The relevant revenue from these loss-making contracts represented approximately 1.4%, 0.1% and 0.03% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The main reasons for these loss-making contracts include: (i) maintaining relationships with customers to increase market penetration; (ii) higher upfront expenses that may be incurred for obtaining a sale contract; and (iii) additional cost we may be incur when quality issue arose on our equipment. During the year ended 31 December 2022, we incurred a compensation of approximately RMB0.6 million to a customer due to quality issue. Our Directors consider that the losses recognised as a result of these loss-making contracts were acceptable losses that may arise out of our ordinary course of business and such losses were insignificant to our operations, financial performance and profitability as a whole.

In order to minimise the risk of loss-making contracts, the pricing and estimated cost of our products and contracts is overseen by our management team, whose background and experience are disclosed in the section headed "Directors and senior management" in this prospectus, based on our pricing strategy described in "Our Customers — Pricing policy" in this section. We carefully prepare our tender/contract price based on a mark-up over our estimated cost. We closely communicate with our suppliers and monitor the price fluctuations of steel plate and analyses the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components. We shall also stipulate in our contract for fee charged if we were engaged by our customers for additional installation works or variation orders.

New contract value

New contract value represents the aggregate value of new contracts we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Our aggregate new contract value (exclusive of VAT) for the years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB332.2 million, RMB641.9 million and RMB502.1 million, respectively.

The following table shows the total contract value (exclusive of VAT) by product categories for the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
SRU and VOCs incineration equipment	161,183	91,763	210,888
Catalytic cracking equipment	99,721	378,168	218,894
Process burners	40,281	119,721	55,504
Heat exchangers	31,025	52,245	16,777
Total	332,210	641,897	502,063

PRODUCTION FACILITIES

Production facilities

As at the Latest Practicable Date, we owned two production facilities located in Luoyang city, Henan province, the PRC; we also leased a production facility located in Taizhou city, Jiangsu province, the PRC.

No.	Name of production facility	GFA *(Sq.m.)*	Function	Ownership
1.	Production facility at Yanguang Road, New High Technology Development Zone, Jianxi district, Luoyang city, Henan province	12,602.6	Production of SRU and VOCs incineration equipment and catalytic cracking equipment	100% owned by us
2.	Production facility at Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang city, Henan province	8,204.8	Production of process burners and heat exchangers	100% owned by us
3.	Production facility at South District, Wanfugang No. 1, Jingjiang Economic and Technological Development Zone, Taizhou city, Jiangsu province[(1)]	7,400	Production of SRU and VOCs incineration equipment and catalytic cracking equipment	Rented by us

Note:

(1) We leased a production facility at Taizhou city, Jiangsu province on 1 June 2023 in order to capture the growing market demand for our equipment from overseas customers. Our Directors consider that leaving a production facility along the coastal ports enable us to enjoy convenient transportation to oversea customers; and this location, which is close to Shanghai, making our engineering team efficiently in project management and communication of equipment production process.

Production capacity and utilisation rate

Due to the diversity of our products and our products are customised based on customers' requirements. Every equipment differs in size, design plan and specification, and hence the type, materials and specification of equipment involved in each contract vary on a case-by-case basis. Our Directors consider it difficult to accurately estimate our production capacity as well as utilisation rate of our production capacity during the Track Record Period. Various factors, such as customers' demand and our production schedule, may affect the utilisation rate of our production facilities.

The core of our production process is the welding and assembly of materials, parts and components into equipment. While production capacity cannot be easily quantified due to the highly varied product specifications, to illustrate the scale of our production, our Directors consider that the most meaningful way to measure our production capacity is by effective working hours of production workers operating the welding machines and manpower limitations under specific production area rather than by units or volume of production output. We allocate the amount of space (with the right condition) necessary for on time delivery of the orders. We take into account a number of factors including size of materials, parts and components and finished equipment, physical characteristics of parts and components to be assembled and space necessary for materials and equipment flow. Since our main production process are labour intensive that involves the welding and assembling of materials, parts and components into finished products by our production workers, hence, manpower is essential for our operation. Our Directors believe our calculation of the production capacity and the measurement of the utilisation of our production facilities are in line with the industry norm. According to F&S, there is no fixed practice on the calculation of production capacity and utilisation rate and different companies may use different basis, including but not limited to tonnes of steel processed, machine hours, effective man hours and etc. It is also confirmed by F&S that our Group's calculation basis is one of the calculation method to measure the production in the equipment manufacturing business and is a common industry practice.

For illustrative purpose only, the following table sets out the production capacity and utilisation rate of the major production process in each of our production facilities during the years indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
Production facility at Yanguang Road			
Production capacity *(hour)*[(1)]	153,300	153,300	153,300
Actual output *(hour)*[(4)]	108,340	125,819	154,732
Utilisation rate *(%)*[(5)]	70.7	82.1	over 100
Production facility at Jinxin Road			
Production capacity *(hour)*[(2)]	140,160	140,160	140,160
Actual output *(hour)*[(4)]	85,709	72,443	98,298
Utilisation rate *(%)*[(5)]	61.2	51.7	70.1
Production facility at Taizhou city			
Production capacity *(hour)*[(3)]	—	—	57,780
Actual output *(hour)*[(4)]	—	—	58,281
Utilisation rate *(%)*[(5)]	—	—	over 100

Notes:

(1) Production capacity of our production facility at Yanguang Road is calculated based on the assumption of (i) the maximum number of production workers operating the welding machines under the specific production area in the production facility at the same time; (ii) seven and a half hours per shift; (iii) two shifts per day; and (iv) 365 days per year.

(2) Production capacity of our production facility at Jinxin Road is calculated based on the assumption of (i) the maximum number of production workers operating the welding machines under the specific production area in the production facility at the same time; (ii) eight hours per shift; (iii) one shift per day; and (iv) 365 days per year.

(3) Production capacity of our production facility in Taizhou city is calculated based on the assumption of (i) the maximum number of production workers operating the welding machines under the specific production area in the production facility at the same time; (ii) nine hours per shift; (iii) one shift per day; and (iv) the number of days is counted from 1 June 2023 to 31 December 2023 as the production facility in Taizhou city commenced operations in 1 June 2023.

(4) Actual output is the multiple of actual working hours of our production team operating the welding machines in our production facilities based on internal record.

(5) Utilisation rate is calculated by dividing the actual output by the production capacity.

(6) Our two production facilities at Yanguang Road and Jinxin Road are not inter-changeable under current condition, due to the differences in the following aspects: (i) the variation of machinery and equipment used in our two production facilities for different production processes, particularly the span of overhead crane, one kind of lifting equipment used during our production of SRU and VOCs incineration equipment and catalytic cracking equipment and which is not used in the production facility at Jinxin Road for the production of process burners and heat exchangers; (ii) the current structure of the production facility at Jinxin Road do not meet the requirement for the installation of aforesaid equipment; and (iii) the production of SRU and VOCs incineration equipment and catalytic cracking equipment requires design and production licences of special equipment of the PRC registered under permitted premises for pressure piping, components and special pressure equipment, and the production facility at Jinxin Road is not required to have these licences for the production of process burners and heat exchangers. To the best knowledge of our Directors, if we redeploy the production facility at Jinxin Road to facilitate the production of SRU and VOCs incineration equipment and catalytic cracking equipment, the expected costs of redeployment would be approximately RMB6.8 million, which comprised of (i) approximately RMB1.8 million for demolition; (ii) approximately RMB4.6 million for construction works of the building of the production facility based on the requirement; and (iii) approximately RMB0.4 million for installation of required machinery and equipment. Approval of the relevant design and production licences of special equipment of the PRC is also necessary for the redeployment.

Major production machinery and equipment

The table below sets out a summary of our major production machinery and equipment owned by us as at the Latest Practicable Date:

Major production machinery/ equipment	Principal usage and function	Number of units	Approximate average remaining lifespan *(Years)*
Lathe (車床)	Shaping metal	10	—
Welding machine (焊接機)	Welding parts and shells of equipment	140	2.9
Shearing machine (剪板機)	Cutting of alloys and other sheet metal	2	—
Rolling machine (卷板機)	Rolling and compressing raw metal	6	1.8
Beveling machine (刨邊機)	Smoothen the ends for welding	3	2.6
Lifting equipment (起重設備)	Lifting heavy loads	28	0.6
Cutting machine (切割機)	Cutting sheet metals, metal tubes and pipes	20	1.9
Flaw detector (探傷機)	Inspecting parts and component of equipment	10	2.3
Press machine (壓機)	Forming shapes	16	1.7

During the Track Record Period, our capital expenditures in relation to property, plant and equipment amounted to approximately RMB4.5 million, RMB2.1 million and RMB4.3 million for the years ended 31 December 2021, 2022 and 2023, respectively. We conduct regular inspection of our production machinery and equipment and have in place maintenance systems for our production machinery and equipment. Maintenance is carried out by our repair staff and we would engage the repair team of the manufacturer of a particular machine when necessary. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material or prolonged interruption to our production processes due to machinery or equipment failure.

Production process

Save for process burners which are more standardised equipment, most of our products can be customised based on individual customer's specifications. As such, the duration of the production process for each equipment varies depending on the equipment size, complexity of the design, manufacturing requirements and customers' specifications. The following table sums up a typical production process involved in our production.

	Stages	Details
1.	Manufacture preparation	Upon finalising the production plan (design, technical and execution plan) to prepare the material and components list.
2.	Procurement of materials and components	Principal materials and components typically include steel materials, such as plates and pipes, electrical parts and fire resistant materials.
3.	Manufacturing	Typically involved shaping, assembling, welding, drilling applying fire resistant materials and drying.
4.	Quality control and testing	Finished products are sent to conduct testing, inspection and pressure tests to ensure that each part of the equipment is properly manufactured and is functioning at the required standards.
5.	Surface and internal parts cleaning and treatment	Products which pass the final inspection and testing stages are sent to the sand blasting, cleaning and painting.
6.	Delivery and installation	The final products are sent to our warehouses for storage, delivery to our customers and provision of installation services.

SALES AND MARKETING

During the Track Record Period and up to the Latest Practicable Date, we identified potential business opportunities mainly through tendering or quotation and direct negotiation with customers. Our Directors are of the view that our success is largely based on our long-standing and stable relationships with our customers.

As at the Latest Practicable Date, our sales and marketing team comprised 48 employees. Our sales and marketing team is led by Mr. Zhang Xian and Mr. Jin Xuli, our senior management team, who have over 24 years of experience in the petroleum refinery and petrochemical equipment market and thus have gained adequate industry knowledge and experience which is beneficial to our business operation. Our sales and marketing team is responsible for market research, contract negotiation and tracking, coordination of contract tendering and quotation, follow up with unpaid invoices and customer relationship management.

In order to maintain good relationships with our customers, we may also schedule visits with our customers based on the communication and arrangements with individual customers. Such visits act as feedback sessions with our customers. The visits are invaluable in securing further contracts and represent an opportunity for us to keep our customers informed of our latest product development activities. With an aim to tap into overseas markets, we have established overseas presence in Hong Kong and Brazil.

During the Track Record Period, our promotional expenses on advertising and business promotion activities amounted to approximately RMB0.3 million, RMB0.3 million and RMB0.3 million, respectively.

OUR CUSTOMERS

During the Track Record Period, our customers mainly included market participants in the petroleum refinery and petrochemical industry in the PRC, which can be further classified into (i) owners of production facilities; (ii) third-party contractors; and (iii) equipment manufacturers; and (iv) others.

The following table sets out our revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Owners of production facilities	169,053	68.2	384,300	91.7	480,823	88.4
Third-party contractors	40,146	16.2	30,117	7.2	46,753	8.6
Equipment manufacturers	34,713	14.0	3,762	0.9	16,224	3.0
Others[(1)]	4,132	1.6	894	0.2	329	—
	248,044	100.0	419,073	100.0	544,129	100.0

Note:

(1) Others mainly consist of sale of equipment to trading companies and a research centre during the Track Record Period, which our Directors consider this represented an insignificant part of our total revenue. For details, please refer to "— Our sales with trading companies and a research centre during the Track Record Period" in this section.

Our five largest customers

We have forged and maintained stable relationships with our major customers. For the years ended 31 December 2021, 2022 and 2023, revenue from our five largest customers in each year of the Track Record Period amounted to approximately RMB116.4 million, RMB318.0 million and RMB400.3 million, representing approximately 46.9%, 75.9% and 73.6% of our total revenue, respectively, among which revenue from our largest customer in each year during the Track Record Period amounted to approximately RMB51.7 million, RMB253.4 million and RMB191.7 million, representing approximately 20.8%, 60.5% and 35.2% of our total revenue, respectively.

The information of our five largest customers in each year during the Track Record Period is set out below:

For the year ended 31 December 2021

Rank	Customer	Background of the customer	Year in which our business relationship commenced	Major products/services provided by us	Approximate revenue amount *RMB'000*	Approximate percentage of our total revenue %	Credit term and major payment method
1.	Customer A	One of the largest petroleum refinery and petrochemical groups in the PRC and was established on February 2000 with listing position in both Hong Kong and the PRC. The listed group is principally engaged in (i) exploration and production, pipeline transportation and sale of petroleum and natural gas; (ii) the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; (iii) the import and export of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and (iv) research, development and application of technologies and information. Customer A is ultimately owned and controlled by a state-owned enterprise in the PRC. As at 31 December 2023, there were over 368,000 employees and Customer A recorded consolidated revenue and consolidated net profit of approximately RMB3,212 billion and RMB67.9 billion, respectively, for the year ended 31 December 2023.	2000	SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers	51,694	20.8	60 to 90 days; by bank transfer and bank acceptance note
2.	Ningbo Zhongneng	A private company established on September 2010 with a registered capital of approximately RMB88 million. Ningbo Zhongneng is principally engaged in the manufacturing and production of complete sets of petrochemical equipment and wholesale of machinery and equipment in the PRC. There were over 60 employees in the company.	2018	Heat exchangers	23,717	9.6	60 days; by bank transfer and bank acceptance note
3.	Customer B	One of the largest petroleum refinery and petrochemical groups in the PRC and was established on November 1999 with listing position in Hong Kong and the PRC. The listed group is principally engaged in (i) the exploration, development, transportation and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and non-oil products, and trading business; and (iv) the transportation of natural gas and the sale of natural gas. Customer B is ultimately owned and controlled by a state-owned enterprise in the PRC. As at 31 December 2023, there were around 399,000 employees and Customer B recorded consolidated revenue of approximately RMB3,011 billion for the year ended 31 December 2023.	1994	SRU and VOCs incineration equipment, catalytic cracking equipment and process burners	16,888	6.8	90 days; by bank transfer
4.	Guizhou Jinze[(1)]	A private company mainly engaged in the production of biological fertilisers in the PRC. Guizhou Jinze was established on September 2020, with a registered capital of approximately RMB200 million. There were around 55 employees in the company. Guizhou Jinze is an affiliate of a state-owned enterprise and is 51% owned by a PRC private company which was established in 2011 and engaged in the research and development of industrial gas (tail gas) fermentation to fuel ethanol technology and related products.	2021	SRU and VOCs incineration equipment; and installation services	12,780	5.2	180 days; by bank transfer
5.	Customer C[(1)]	A subsidiary of a state-owned enterprise in the PRC principally engaged in design, procurement and construction for coal chemical and petrochemical equipments. The company was established on October 2007, with a registered capital of approximately RMB146.8 million. There were around 175 employees in the company.	2020	Catalytic cracking equipment	11,277	4.5	30 to 45 days; by bank transfer
					116,356	46.9	

For the year ended 31 December 2022

Rank	Customer	Background of the customer	Year in which our business relationship commenced	Major products/services provided by us	Approximate revenue amount	Approximate percentage of our total revenue	Credit term and major payment method
					RMB'000	*%*	
1.	Customer A	One of the largest petroleum refinery and petrochemical groups in the PRC and was established on February 2000 with listing position in both Hong Kong and the PRC. The listed group is principally engaged in (i) exploration and production, pipeline transportation and sale of petroleum and natural gas; (ii) the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre,and other chemical products; (iii) the import and export of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and (iv) research, development and application of technologies and information. Customer A is ultimately owned and controlled by a state-owned enterprise in the PRC. As at 31 December 2023, there were over 368,000 employees and Customer A recorded consolidated revenue and consolidated net profit of approximately RMB3,212 billion and RMB67.9 billion. respectively for the year ended 31 December 2023.	2000	SRU and VOCs incineration equipment and catalytic cracking equipment, process burners and heat exchangers	253,406	60.5	60 to 90 days; by bank transfer and bank acceptance note
2.	Customer B	One of the largest petroleum refinery and petrochemical groups in the PRC and was established on November 1999 with listing position in Hong Kong and the PRC. The listed group is principally engaged in (i) the exploration, development, transportation and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and non-oil products, and trading business; and (iv) the transportation of natural gas and the sale of natural gas. Customer B is ultimately owned and controlled by a state-owned enterprise in the PRC. As at 31 December 2023, there were around 399,000 employees and Customer B recorded consolidated revenue of approximately RMB3,011 billion for the year ended 31 December 2023.	1994	SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers	20,220	4.8	90 days; by bank transfer and bank acceptance note
3.	Customer D	A private company principally engaged in manufacture of steel material in the PRC. The company was established on August 2002, with a registered capital of approximately RMB4,000 million. There were over 12,700 employees in the company.	2019	Heat exchangers	17,760	4.2	90 days; by bank acceptance note
4.	Customer E	A private company principally engaged in manufacture of petrol and diesel in the PRC. The company was established on September 2016 with a registered capital of approximately RMB600 million. There were around 310 employees in the company.	2018	SRU and VOCs incineration equipment; and installation services	15,175	3.6	30 days; by bank acceptance note
5.	Customer F	A private company principally engaged in manufacturing chemical products in the PRC. The company was established on November 1993 with a registered capital of approximately RMB163.2 million. There were over 2,000 employees in the company.	2012	SRU and VOCs incineration equipment	11,469	2.8	180 days; by bank transfer and bank acceptance note
					318,030	75.9	

For the year ended 31 December 2023

Rank	Customer	Background of the customer	Year in which our business relationship commenced	Major products/services provided by us	Approximate revenue amount *RMB'000*	Approximate percentage of our total revenue *%*	Credit term and major payment method
1.	Customer A	One of the largest petroleum refinery and petrochemical groups in the PRC and was established on February 2000 with listing position in both Hong Kong and the PRC. The listed group is principally engaged in (i) exploration and production, pipeline transportation and sale of petroleum and natural gas; (ii) the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre,and other chemical products; (iii) the import and export of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and (iv) research, development and application of technologies and information. Customer A is ultimately owned and controlled by a state-owned enterprise in the PRC. As at 31 December 2023, there were over 368,000 employees and Customer A recorded consolidated revenue and consolidated net profit of approximately RMB3,212 billion and RMB67.9 billion, respectively for the year ended 31 December 2023.	2000	SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers	191,671	35.2	60 to 90 days; by bank transfer and bank acceptance note
2.	Customer G(2)	Owner of production facilities. A company established under the laws of Russia with limited liability and 60% hold by a natural gas processing and petrochemical company in Russia and 40% hold by Customer A. The company's scope of business covers the design, construction, operation, maintenance and ownership of polyolefin project; the processing of energy products into chemical products; and the operation of production facilities, gas treatment facilities, pipeline, transportation and warehousing facilities related to the aforementioned activities according to public information.	2022	Process burners	62,456	11.5	Payment in advance; by bank transfer
3.	Customer H	One of the largest group specialising in oil and natural gas exploration and remains the dominant crude oil and natural gas producer in China. The group was established on February 1983 and is ultimately owned and controlled by a state-owned enterprise in the PRC.	2007	Catalytic cracking equipment and process burners	57,024	10.5	30 days; bank transfer

Rank	Customer	Background of the customer	Year in which our business relationship commenced	Major products/services provided by us	Approximate revenue amount *RMB'000*	Approximate percentage of our total revenue *%*	Credit term and major payment method
4.	Customer I	A private company principally engaged in the production of refined products and chemical materials in the PRC. Customer I was established in June 2019 with a registered capital of RMB38.0 billion and over 1,800 employees in the company. The company is an associate company of a state-owned enterprise in the PRC.	2021	SRU and VOCs incineration equipment and catalytic cracking equipment	45,885	8.4	45 days; by bank transfer and bank acceptance note
5.	Customer J	A PRC listed company principally engaged in the manufacture and sales of chemical products derived from coal in PRC. Customer J was established in November 2005 and recorded consolidated revenue and consolidated net profit of approximately RMB29.1 billion and RMB5.7 billion, respectively, for the year ended 31 December 2023.	2012	SRU and VOCs incineration equipment and catalytic cracking equipment and process burners	43,272	8.0	30 days; by bank transfer and bank acceptance
					400,308	73.6	

Notes:

1. Our Group became acquainted with Guizhou Jinze and Customer C in early 2021 and 2020, by securing our first contracts with Guizhou Jinze and Customer C through tendering. To our Directors' best knowledge after making reasonable enquiries, the SRU and VOCs incineration equipment purchased by Guizhou Jinze from us were to be used in their production facilities for treatment of exhaust gases emitted during the process of their own fermentation.

2. Revenue from Customer G included revenue from project where an agent was assigned by Customer G to enter into the relevant contract with us, of which Customer G remained our primary reporting party (including, without limitation, design and specification of products, work progress, terms and payment).

All of our five largest customers and their respective ultimate beneficial owners during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there were no litigations or arbitration or disputes between us and our five largest customers which have a material and adverse impact on our business operations or financial condition.

Our sale transactions with Customer A during the Track Record Period

During the Track Record Period, our Group provided petroleum refinery and petrochemical equipment and related parts and component to Customer A, our largest customer in each of the year ended 31 December 2021, 2022 and 2023. Customer A consists of several subsidiaries and branch companies of one of the largest petroleum refinery and petrochemical groups in the PRC and they were the key users of our equipment. Our Group has transacted with 23, 19 and 23 branch companies and subsidiaries of Customer A, respectively, during the Track Record Period and recorded revenue of approximately RMB51.7 million, RMB253.5 million and RMB191.7 million, respectively, for the same period. To our Directors' best knowledge after making reasonable enquiries, such increased sales and revenue from Customer A was mainly attributable to their increased demand for our equipment and more sizable contracts were awarded to us. It is consistent to their significant capital expenditures for their refinery segment business, mainly related to their constructions of Anqing and Yangzi refining upgrading projects and Zhenhai refining and chemical project. In particular, we have entered into several contracts with Anqing branch office and Yangzi branch office of Customer A, with aggregate contract sum (inclusive of VAT) of approximately RMB47.5 million and RMB237.2 million, respectively, for the years ended 31 December 2021 and 2022. We have entered into contracts with Zhenhai company of Customer A, with aggregate contract sum (inclusive of VAT) of approximately RMB78.7 million and RMB32.0 million, respectively, for the years ended 31 December 2022 and 2023.

As at the Latest Practicable Date, we have 33 sale contracts with Customer A with aggregate contract sum (inclusive of VAT) of approximately RMB12.0 million which are expected to be recognised as revenue for the year ending 31 December 2024.

Customer concentration

For the year ended 31 December 2021, 2022 and 2023, approximately 46.9%, 75.9% and 73.6%, respectively, of our total revenue was attributable to our five largest customers in each year during the Track Record Period. In particular, our largest customer in each year during the Track Record Period has contributed approximately 20.8%, 60.5% and 35.2% of our revenue for the years ended 31 December 2021, 2022 and 2023, respectively. Our Group is a petroleum refinery and petrochemical equipment manufacturer in the PRC and our equipment were sold to market participants in the petroleum refinery and petrochemical industry in the PRC, including Customer A, Customer B and Customer H, consisting branches and subsidiaries of the three largest petroleum refinery and petrochemical groups in the PRC. Our Directors consider that we are not reliant on any of our five largest customers and Customer A and such customer concentration is not uncommon for the petroleum refinery and petrochemical equipment industry and the business model of our Group is sustainable despite the customer concentration due to the following factors:

(i) The petroleum refinery and petrochemical market in the PRC is dominated by several market leaders

According to the F&S Report, the petroleum refinery and petrochemical industry in the PRC is dominated by Sinopec Group ("**SINOPEC**") and China National Petroleum Corporation ("**CNPC**") and CNOOC Limited ("**CNOOC**") and they were the key end-users of the petroleum refinery and petrochemical equipment. These three largest market participants in the industry in the PRC would partner with manufacturers for the production of the petroleum refinery and petrochemical equipment. In contrast to the highly concentrated petroleum refinery and petrochemical industry, the petroleum refinery and petrochemical equipment industry is fragmented and overflowed with over thousands of manufacturers in the PRC. Accordingly, each market participant only accounts for a tiny fraction of the petroleum refinery and petrochemical equipment market. There were over 40,000 petroleum refinery and petrochemical equipment manufacturers in the PRC in 2023. Since (i) the petroleum refinery and petrochemical industry in the PRC is concentrated in several market participants; and (ii) the petroleum refinery and petrochemical equipment industry is fragmented with numerous small to medium sized enterprises producing petroleum refinery and petrochemical equipment, the tremendous production orders placed by these market participants come to represent a substantial portion of our Group's total revenue during the Track Record Period. Due to the limitation of our Group's size and scale of operation, and the fact that some contract amount are very large, it is reasonable to have our Group's revenue for each year to be overwhelmingly dominated by just a few large contracts, leading to the results that customers of a single or a few sizable contracts can easily become our largest customer in terms of revenue contribution for more than one financial year.

(ii) Well established business relationship with our major customers

Our Group has over 20 years of business relationships with each of Customer A and Customer B; and over 17 years of relationships with Customer H as at the Latest Practicable Date. Our Directors believe that we have established a stable and long term business relationship with them. Our Group works with customers on products advancement, and communicates with our customers through face-to-face meetings, text message and email communications. Through such frequent contacts, our Directors believe that we have a sound understanding of the needs and preferences of our customers, which helps to maintain the relationship between us and our customers. During the Track Record Period, we generally go through competitive tendering procedure for contracts awarded by Customer A, Customer B and Customer H, our Group's overall tender success rate was approximately 53.9%, 46.3% and 51.4% for the year ended 31 December 2021, 2022 and 2023, respectively, with corresponding contract values awarded of approximately RMB295.0 million, RMB573.5 million and RMB426.6 million. Our Directors believe that these relationships are attributable to the consistent product quality, timely delivery of our products and the quick response to market demand for different product specifications. We shall endeavour to strengthen the continuing alliance with its customers.

(iii) Admitted by Customer A, Customer B and Customer H as a qualified supplier

During the Track Record Period, Customer A, Customer B and Customer H admitted our Group as a qualified supplier. One of the three aforementioned, Customer A carried out site visits and communication with our Group in relation to the technical requirements and production plan for specific projects from time to time during the Track Record Period.

(iv) Optimise the utilisation of current production capacity of the Group

We consider that sales orders from sizable customers including but not limited to Customer A and Customer B are relatively stable given that customers such as them would provide their requirements and production specifications that allow us to formulate and manage the production plans beforehand and thus optimise the utilisation of our production capacity. The utilisation rates of each of our self-owned production facilities was approximately 51.7% and 82.1% for the year ended 31 December 2022, and approximately 70.1% and 100.9% for the year ended 31 December 2023, respectively. For details, see "— Production Facilities" in this section. Our Directors managed to reduce idle capacity of us during the Track Record Period by establishing relationships with others customers. Except for Customer

A, being our largest customer for each of the year during the Track Record Period, other of our five largest customers for each of the years ended 31 December 2021, 2022 and 2023 were substantially different, which suggests that we did not place undue reliance on any particular one of them throughout the Track Record Period for revenue generation.

For associated risks, please refer to the section headed "Risk factors — Risks Relating to Our Business and Our Industry — We have a concentration of customers during the Track Record Period, which may cause our business to be materially and adversely affected." in this prospectus.

Our sales with trading companies and a research centre during the Track Record Period

During the Track Record Period, we also sold our equipment to trading company customers and a research centre, namely Honeywell Integrated Technology (China) — Luoyang Branch, which is a wholly-owned subsidiary of Honeywell China and ultimately owned by Honeywell International, with aggregate revenue amounted to approximately RMB4.1 million, RMB0.9 million and RMB0.3 million, respectively, for the years ended 31 December 2021, 2022 and 2023, accounting for approximately 1.6%, 0.2% and 0.06% of our total revenue, respectively, for the same period.

Our trading company customers mainly consist of (i) privately-owned company engaged in the trading and sale of petroleum refinery and petrochemical equipment and parts and components in the PRC, and (ii) subsidiaries or related companies of listed companies or stated-owned enterprises in the PRC whose parent company is engaged in the petroleum refinery and petrochemical and related industry in the PRC. To the best knowledge of our Directors after making reasonable enquiry, our trading company customers on-sell our equipment and parts and components to their customers or related companies who are the owners of production facilities. During the years ended 31 December 2021, 2022 and 2023, we had transacted with 30, 22 and 15 trading company customers respectively. Our trading company customers place orders with us on a transaction basis and the revenue from the sales of our equipment are recognised when the control of the goods have been transferred to them.

Our Group generally became acquainted with trading company customers through sale referral and/ or introduction by our existing customers and some trading company customers may purchase from us under the instruction of their respective project owners who usually refer to the owners of production facilities. According to F&S, it is an industry practice that owners of production facilities may engage contractors and equipment traders to purchase or source equipment or parts and components from equipment manufacturers like our Group as these equipment traders have particular connections with equipment manufacturers which allow them to access to a wide range of equipment, parts and components; streamlined the procurement process and allow the project owners to enjoy cost savings benefits for equipment sourcing. Our Group does not adopt any favourable treatment in respect of the types of our customers (i.e. trading company customers and non-trading company customers) and thus, our pricing for sales to trading company customers and a research centre are similar to those offered by us to other customers of our Group. To the best knowledge of our Directors after making reasonable enquiries and confirmed with our trading company customers, our price of equipment and parts and component are similar to those offered by industry peers.

The tables below set out the background information of our trading company customers with revenue contribution over RMB500,000 during the Track Record Period:

Customer	Background	Major product category	Business with relevant customers commenced since	Revenue Year ended 31 December 2021	2022	2023
				RMB'000	*RMB'000*	*RMB'000*
Customer K	Privately-owned PRC company, which is located in Beijing and a direct subsidiary of CNPC. The company is mainly engaged in the export of petroleum equipment and materials and providing materials and equipment for overseas projects of its group companies. The company was established in 1987 with a registered capital of RMB1 billion and over 500 employees.	Process burners	2018	1,766	—	—

Note: There is no any individual trading company customers with revenue contribution over RMB500,000 during the year ended 31 December 2022 and 2023.

To the best knowledge of our Directors, save for being our customers and the business relationship with our Group, there are no other past or present relationships (family, business, employment, financing, trust, shareholding or otherwise) between our Group (including our Directors, our Shareholders, senior management or any of the irrespective associates) and the trading company customers and their respective ultimate beneficial owners during the Track Record Period and up to the Latest Practicable Date; and all of them and their respective ultimate beneficial owners were Independent Third Parties.

Our Group recorded revenue from Honeywell Integrated Technology (China) — Luoyang Branch for the sales of parts and components of nil, approximately RMB5,000 and nil, respectively for the years ended 31 December 2021, 2022 and 2023. To our Directors' best knowledge after making reasonable enquires, our parts and components are to be used for repair and maintenance purposes. Honeywell Integrated Technology (China) — Luoyang Branch was established in 2013 and our relationship with it could be traced back to 2012 when Honeywell China, being the parent company of Honeywell Integrated Technology (China) — Luoyang Branch and Luoyang Ruichang commerce to negotiate the cooperation for designing, manufacturing, selling, and installing the refining and petrochemical equipment and supporting systems in PRC. Details of our acquaintance with Honeywell China is disclosed in paragraph headed "Research and Development — Testing and research centres" in this section.

To the best knowledge of our Directors, save for Honeywell Integrated Technology (China) — Luoyang Branch being our customer, our Group being a landlord (details of our lease of buildings to Honeywell Integrated Technology (China) — Luoyang Branch is disclosed in paragraph headed "Properties — Leased buildings" in this section) and the business and collaboration relationship of Honeywell China with our Group as disclosed, there are no other past or present relationships, transactions or arrangement between our Group (including our Directors, our Shareholders, senior management or any of the irrespective associates) and Honeywell Integrated Technology (China) — Luoyang Branch during the Track Record Period and up to the Latest Practicable Date.

Contracts with customers

Our typical sale contracts include terms that govern specifications of our equipment, order details, payment terms, quality requirements, technical support, warranty period, liability for breach of contract and delivery terms.

The contracts we entered into with a customer typically contain the following salient terms:

Order details	: The quantity and the total amount are specified.
Payment terms	: Our contract generally provides for payment by several instalments, and each instalment will be paid subject to the contract progress and delivery progress.
Quality requirements	: Our equipment is required to be in compliance with the relevant national or industrial standards of the country where our equipment is to be used or sold to.
Technical support	: Our technical officers will provide technical support and training to our customers.
Warranty period	: A warranty period of 12 months from the date of the normal operation of our products or 18 months from the date of delivery of our equipment, whichever is earlier.
Liability for breach of contract	: We are responsible for the payment of costs arising from delays in technical documentation, delays in delivery or quality problems caused by our negligence.
Delivery terms	: We are generally responsible for the delivery of the equipment to the customer's designated place.

Pricing policy

We determine our pricing on a case-by-case basis by adopting a cost-plus pricing model, where we determine the price of our equipment and services by taking into account various factors such as the cost of materials and components, overhead, labour costs, transportation costs, technical requirement, outsourcing costs, customer relationships, competitive landscape, production schedule, contract sum and our business strategies adopted from time to time. We determine the price of each order or contract value of each contract on a standalone basis, all of which are negotiated on an individual basis with each customer.

Seasonality

In general, our business has no obvious cyclical or seasonal changes. However, as our business is contract-based and our equipments are customised to each contract, our revenue will be affected by the number of the contract completed for a period and the demand from our customers. It is not uncommon in the petroleum refinery and petrochemical equipment industry that petroleum refinery and petrochemical equipment manufacturers for meeting the manufacturing deadline and so the majority of products are shipped at the end of the year. The fourth quarter of the year is typically a peak season for manufacturers' revenue according to the F&S Report.

PROCUREMENT OF MATERIALS AND COMPONENTS AND PURCHASES OF SERVICES

Procurement of materials and components

Our procurement and manufacturing team is responsible for procuring materials and components according to our production needs, monitoring the performance of suppliers and handling ongoing liaison work with existing or potential suppliers. We have in place a procurement policy, which is subject to review from time to time. In accordance with our procurement policy, we obtain quotes from suppliers and assess and select suitable suppliers with reference to factors such as, their technical capabilities, competitiveness in price, quality, length of our business relationship and requirements of our customers. For details regarding quality control during our procurement process, see "— Quality Control" in this section.

The key materials procured by us are steel materials, such as steel plates and steel pipes, and components such as fire resistant materials, electrical parts, water-sealed tanks, reactors and converters. We also purchase some components processed by third parties based on our design and technical specifications. We purchase certain materials and components from designated suppliers outside the PRC under our customers' requests, other than that, we purchase materials and components from local suppliers in the PRC. Materials and components used constituted the largest component of our cost of sales during the Track Record Period, which amounted to approximately RMB135.5 million, RMB232.8 million and RMB289.6 million, representing approximately 76.5%, 81.4% and 82.1% of our total cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively. We did not encounter any significant delays or shortages in the supply of our materials and components during the Track Record Period which may have a material adverse impact on our business, and we do not anticipate significant difficulties in obtaining alternative sources of supply in the future.

During the Track Record Period, our cost of materials and consumables used generally fluctuated with the price of steel plates in the PRC and the numbers of sale contracts we obtained. Most of our contracts are fixed-price contracts and in determining the value of contracts we entered into with our customers, we adopts the cost-plus model. We estimate the costs involved in manufacturing the equipment required by our customers, such as material and components costs and labour costs. Since we usually make material procurement arrangements with suppliers after we have entered into the relevant contracts with our customers, in which the price of the materials are usually set out, we generally would not be able to pass on any increase in material costs to our customers when we experience an unexpected increase in material costs during the period from signing of a sale contract to placing the relevant purchase order with our suppliers. Moreover, the duration period of our contracts varies and may take up to three to 19 months or more to complete, due to a number of factors, including the scale and complexity of the equipment, the technical specifications and the construction schedule specified by the customers. Hence, the time interval between sale contracts with our customers and the procurement contract also varies and might be relatively long, which will affect our cost of materials and components used and our profit margin.

The price index of overall steel plate in China fluctuated during the Track Record Period and recorded a sharp increase since October 2020 with lowest price index hit at 107.3 in October 2020 and highest price index hit at 157.7 in September 2021, representing a change of approximately 47.0%. The price index of overall steel plate in China was in decreasing trend during the years ended 31 December 2022 and 2023. For details of the price index of overall steel price (China), please refer to "Industry Overview — Major Cost Analysis of Petroleum Refinery and Petrochemical Equipment Market — Steel materials" to this prospectus.

Steel materials is our principal materials which we used during the production process. For details of our inventory management, please see "— Inventory Management" in this section. We did not conduct any hedging activities with respect to the price fluctuation in the material during the Track Record Period. In order to mitigate the price fluctuations of steel plate to our profitability, we have implemented the following measures: (i) analyse price trends of steel plates on an on-going basis and increase our inventory levels of steel plates in anticipation of price increase and vice versa; (ii) review and monitor our inventory levels on a periodical basis; and (iii) maintain a list of readily available alternative suppliers for each type of materials to reduce reliance on any one supplier and to avoid having any disruption to our supplies. We believe that we are able to adapt to the latest price trends of our steel plate and make appropriate purchasing decisions.

For the sensitivity analysis of the impact of hypothetical changes in the cost of materials and components used on our profit before tax during the Track Record Period, see "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Cost of sales — Sensitivity analysis" in this prospectus. Given our extensive supplier network, our Directors are of the view that we are able to maintain a steady supply of key materials and components without a substantial increase in procurement costs in the event that we experience any unexpected disruption in supplies from our major suppliers. Our Directors are of the view that, in the event of any increase in the price of key materials and components, we will be able to find alternative suppliers in the market.

Purchase of services

We generally engage third parties for transportation, installation and consulting services. For consulting services, we typically required third parties to provide site visits and technical studies to assist our Group with tender preparation. Given that our sale and marketing team and technicians were not able to travel to other regions of the PRC under travel restrictions due to the COVID-19 pandemic during the Track Record Period, our Directors consider that engaging such consulting services are more cost effective and efficient.

We will select suitable service suppliers based on their scale of operation and prices. Also, we will consider their past performance, reputation in the industry, professional qualification and whether they can complete the work within the expected timeframe as specified by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in identifying and engaging suppliers for transportation, installation, and consulting services.

For the years ended 31 December 2021, 2022 and 2023, these outsourcing service fees incurred by us amounted to approximately RMB16.2 million, RMB23.1 million and RMB29.9 million which represent approximately 9.2%, 8.1% and 8.5% of our total cost of sales, respectively.

OUR SUPPLIERS

We maintain a list of qualified suppliers, including materials and components suppliers and service suppliers, and have in place a set of selection criteria for suppliers including various factors such as quality of work, pricing, their qualification and financial position. We require potential suppliers to submit documentary proof to demonstrate that they possess the required qualifications including ISO 9001 certificate and certificates for manufacturing and designing special equipment. Suppliers that satisfy our selection criteria will be included in our list, which will be reviewed and updated regularly.

In general, qualified suppliers are classified into three categories being, class A being suppliers from which we source large quantity of key materials and components; class B being suppliers from which we source key materials and components in a relatively smaller volume; and class C being suppliers from which we source materials and components which are ancillary and replaceable and in a relatively smaller volume.

Our five largest suppliers

We have established stable and long-term business relationship with our major suppliers. For the years ended 31 December 2021, 2022 and 2023, purchases from our five largest suppliers in each year during the Track Record Period amounted to approximately RMB40.9 million, RMB53.5 million and RMB73.6 million, representing approximately 24.0%, 21.0% and 23.8% of our total purchase, respectively, among which purchases from our largest supplier in each year during the Track Record Period amounted to approximately RMB10.6 million, RMB14.9 million and RMB22.2 million, representing approximately 6.2%, 5.8% and 7.2% of our total purchase, respectively.

The information of our five largest suppliers for the Track Record Period is set out below:

For the year ended 31 December 2021

Rank	Supplier	Background of the supplier	Year in which our business relationship commenced	Major products provided to us	Approximate amount of purchase	Approximate percentage of our total purchase	Credit term and major payment method
					RMB'000	%	
1.	Hebei Hualin Echanical Device Limited Company* (河北華林機械設備有限公司)	A private company principally engaged in the manufacturing of radiators, central heating boilers and auxiliary equipment in the PRC with around 1,000 employees and a registered capital of RMB100 million.	2018	Incinerators, condensers and reactors	10,617	6.2	60 days; by bank transfer and bank acceptance note
2.	Zibo Shenghua Refractory Resistant Materials Co., Ltd* (山東勝華耐磨材料有限公司)	A private company principally engaged in the manufacturing of fire resistant materials in the PRC and a registered capital of RMB15 million.	2018	Fire resistant materials	9,117	5.4	30 to 60 days; by bank transfer and bank acceptance note
3.	Shanxi Xinrongchuang Stainless Steel Co., Ltd* (山西鑫榮創不銹鋼有限公司)	A privately company principally engaged in sales of stainless steel materials in the PRC with a registered capital of RMB5 million.	2017	Steel materials	8,402	4.9	7 days; by bank transfer and bank acceptance note
4.	Laining (Dalian) Refractory Engineering Co., Ltd* (萊寧(大連)熱能技術有限公司)	A private company principally engaged in the manufacturing and wholesale of fire-resistant materials and the development of thermal energy technology in the PRC with a registered capital of RMB4 million.	2016	Fire resistant materials	6,903	4.1	180 days; by bank acceptance note
5.	Supplier A	A private company principally engaged in the manufacturing of petrochemical equipments in the PRC with over 80 employees and a registered capital of RMB50 million.	2013	Coolers	5,828	3.4	30 to 180 days; by bank transfer and bank acceptance note
					40,867	24.0	

For the year ended 31 December 2022

Rank	Supplier	Background of the supplier	Year in which our business relationship commenced	Major products provided to us	Approximate amount of purchase	Approximate percentage of our total purchase	Credit term and major payment method
					RMB'000	%	
1.	Supplier B	A private company principally engaged in the manufacturing of petrochemical equipments in the PRC with a registered capital of RMB108 million.	2012	Water-sealed tanks	14,867	5.8	180 days; by bank transfer and bank acceptance note
2.	Supplier C	A private company principally engaged in the design, manufacturing and sale of furnace, pressure vessels and heat exchangers in the PRC with around 450 employees and a registered capital of RMB107.9 million.	2022	Water-sealed tanks	10,425	4.1	90 days; by bank transfer and bank acceptance note
3.	Supplier D	A private company principally engaged in the manufacturing and sale of steel, pressure vessel and mechanical equipment in the PRC with a registered capital of RMB100.2 million.	2022	Water-sealed tanks	10,162	4.0	30 days; by bank transfer
4.	Hebei Hualin Echanical Device Limited Company* (河北華林機械設備有限公司)	A private company principally engaged in the manufacturing of radiators, central heating boilers and auxiliary equipment in the PRC with around 1,000 employees and with a registered capital of RMB100 million.	2018	Pressure-reducing orifices, incinerators, condenser and reactors	9,637	3.8	90 days; by bank transfer and bank acceptance note
5.	Supplier E	A private PRC company principally engaged in the design, manufacturing and sale of petrochemical equipment in the PRC with a registered capital of RMB500,000.	2021	Flue	8,437	3.3	60 days; by bank transfer and bank acceptance note
					53,528	21.0	

For the year ended 31 December 2023

Rank	Supplier	Background of the supplier	Year in which our business relationship commenced	Major products provided to us	Approximate amount of purchase *RMB'000*	Approximate percentage of our total purchase *%*	Credit term and major payment method
1.	Hebei Hualin Echanical Device Limited Company* (河北華林機械設備有限公司)	A private company principally engaged in the manufacturing of radiators, central heating boilers and auxiliary equipment in the PRC with around 1,000 employees and a registered capital of RMB100 million.	2018	Condensers and reactor	22,208	7.2	60 days; by bank transfer and bank acceptance note
2.	Supplier F	A private company principally engaged in production and assembly of mechanical parts in the PRC with a registered capital of RMB0.3 million.	2023	Nozzles	18,950	6.1	Payment in advance; by bank transfer and bank acceptance note
3.	Supplier G	One of major companies in the metal manufacturing industry in the PRC and was established in February 2007 with a listing position in Hong Kong. The listed group is principally engaged in (i) metal materials and components processing; and (ii) high-end equipment manufacturing. As at 31 December 2023, there were around 7,000 employees and the listed group recorded consolidated revenue of approximately RMB50.6 billion for the year ended 31 December 2023.	2020	Steel materials	12,008	3.9	7 days; by bank transfer
4.	Supplier H	A private company principally engaged in the manufacturing and sale of petrochemical mechanical equipment in the PRC with a registered capital of RMB5 million.	2022	Separation shell	10,455	3.4	30 days; by bank transfer and bank acceptance note
5.	Supplier I	A private company principally engaged in the manufacturing and sale of refining equipment processing products in the PRC with a registered capital of RMB50 million.	2014	Reactors and regenerator distill grid	9,959	3.2	30 days; by bank transfer and bank acceptance note
					73,580	23.8	

* *for identification purpose only*

All of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in any of our five largest suppliers in each year during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any major disruption in business due to material delays or defaulting payments.

Major contract terms with our suppliers

Our Directors consider it is in line with normal practice in the industry. We generally enter into individual purchase contract/order and negotiate the price, quantity and payment terms with them on a case-by-case basis with suppliers. Set out below is a summary of typical key terms of our purchase contracts with suppliers:

Specifications:	The purchase orders generally set out the specifications, quantities and pricing
Delivery and inspection:	Our suppliers are typically responsible for the delivery of the materials to our production bases. We are entitled to inspect the materials upon delivery
Payment terms:	We generally settle our purchases with our suppliers in RMB. We usually make payment to our suppliers by way of bank transfer and bank acceptance notes
Credit terms:	Our suppliers generally provide us with credit terms of not more than 30–90 days from the date of invoice
Warranty:	Our suppliers generally provide us with a specific period of warranty

During the Track Record Period and up to the Latest Practicable Date, we were not in breach of any material terms of our purchase contracts entered into with our suppliers.

OVERLAPPING OF MAJOR CUSTOMER AND SUPPLIER

During the Track Record Period, to the best knowledge and belief of our Directors, among our five largest suppliers and customers in each year during the Track Record Period, Supplier A was our major overlapping customer and supplier.

The table below sets forth the total sales and total purchases attributable to Supplier A for the years ended 31 December 2021, 2022 and 2023:

	Year ended 31 December		
	2021	**2022**	**2023**
Sales to Supplier A			
Revenue *(RMB'000)*	412	178	392
As a percentage of our total revenue	0.2%	0.04%	0.07%
Related cost *(RMB'000)*	114	82	167
Gross profit margin	27.7%	46.1%	42.6%
Purchases			
Cost *(RMB'000)*	5,828	7,422	—
As a percentage of total purchase	3.6%	2.9%	—

For the Track Record Period, we principally purchased components, such as coolers and water sealed tanks from Supplier A with purchase amounts of approximately RMB5.8 million, RMB7.4 million and nil, respectively; and we provided it with spare parts such as nozzles and hex steel with aggregate transaction amounts of approximately RMB0.4 million, RMB0.2 million and RMB0.4 million for the years ended 31 December 2021, 2022 and 2023, respectively, with credit period of 30 days. As at the Latest Practicable Date, our receivables from Supplier A was fully settled. Details of the background of and our relationship with Supplier A are disclosed in ''— Our Suppliers — Our five largest suppliers'' in this section. Based on our experience in the petroleum refinery and petrochemical equipment market in the PRC and also according to the F&S Report, our Directors noted that it is a normal practice that petroleum refinery and petrochemical equipment manufacturers purchase equipment and parts and components from other equipment manufacturers in the PRC as there is over a hundred types of petroleum refinery and petrochemical equipment with different specifications or the production processes which resulting one supplier may have to purchase from other manufacturers. However, it is not our common practice to purchase from our customers or sell to our suppliers.

To the best knowledge and belief of our Directors after making all reasonable enquiries, Supplier A and his respective ultimate beneficial owners are Independent Third Parties. Our Directors confirmed that negotiations of the terms of our sales to and purchases from Supplier A were conducted separately and the sales and purchases were not inter-conditional with each other. Our Directors confirmed that, during the Track Record Period, the components we purchased from Supplier A were not the same as those products we previously sold or provided to them. The pricing and terms of transactions with Supplier A are generally in line with our Group's other customers and suppliers and the industry peers, which our Directors considered to be on normal commercial terms.

INVENTORY MANAGEMENT

Our inventory comprises of materials and components; work-in-progress; finished products and spare parts. As at 31 December 2021, 2022 and 2023, our inventory balance amounted to approximately RMB45.3 million, RMB53.1 million and RMB66.7 million, respectively, representing approximately 15.6%, 11.3% and 11.7% of our total current assets as at the respective year end dates. During the Track Record Period, the average inventory turnover days was approximately 80 days, 63 days and 62 days for the relevant years, respectively. For more information of our average inventory turnover days, see ''Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Inventories''.

Materials, parts and components

As our equipment are customised upon customers' requests and specifications, we normally proceed to manufacturing and production pursuant to the sales orders placed by our customers. Procurement with suppliers are generally made after we have entered into the relevant contract. Hence, our inventory level is determined principally by our production requirements and the sale orders received by us; and we order additional materials, parts and components on a needed basis. We seek to maintain our inventory at a level sufficient to ensure that no interruption is caused to our production.

We have adopted a set of operational guidelines to regulate our inventory management. Our Group has in place an inventory management system that tracks all incoming and outgoing inventory relating to each purchase order and/or the common-usage materials so as to ensure that an optimal inventory level is maintained at all times to satisfy the needs of our customers without over-stocking. We continuously monitor our inventory level by conducting regular checks on quality and quantity in every six months by our inventory management staff and conducting sample checks in every months. We also carry out on-site inventory audit and inspection annually, and prepare inventory inspection reports, according to which we deal with obsolete and slow-moving inventories in a timely manner. Our finance team is responsible for inventory audit and inspection, and report to senior management the inspection results and shortfalls.

Work-in-progress and finished goods

As we normally proceed to production pursuant to the confirmed orders placed by our customers, we do not intend to maintain excessive finished goods. Our balances of work-in-progress and finished goods at the end of each reporting period mainly represented the equipment yet to be completed the manufacturing process and/or yet to be delivered according to the agreed times with customers or upon our customers' instructions. We closely monitor the long-aged finished goods through close coordinations with our customers and timely updates of their projects status, typically on a monthly basis through our sale personnel.

There is no material obsolete stock in our Group's inventory due to the characteristic of the materials and components and products during the Track Record Period.

QUALITY CONTROL

We believe that quality standards are crucial to our success. Therefore, we have established internal quality control policy which sets out clear standards of testing and quality control procedures and guidelines to ensure strict compliance with national industrial standards application in the PRC including ISO 9001 and international standards including ASME standards. ASME standards are one of the leading international codes and standards that are accepted for use in more than 100 countries around the world. As we supply our products to customers based in both the PRC and overseas countries, we strive to comply with not only the industrial standards required in the PRC but also international standards.

Our quality control team is headed by Mr. Qu Gang, the vice general manager of Luoyang Ruichang. The quality control team is responsible for monitoring quality of our products and services, enhancing internal quality control system and conducting annual quality control reviews. As of the Latest Practicable Date, our quality control team comprised 23 employees, majority of whom have received tertiary or higher education and were familiar with the applicable industry requirements.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our customers in respect of the quality of our equipment, and there was no incident of failure of our qualify control systems, product returns or recalls that had a material adverse impact on our business operations.

Quality control in our production and operation processes

Our Company has established a comprehensive quality control system which pertains to quality control, health, safety and environment ("**HSE**"). Our quality control and HSE divisions operate independently. We strive to ensure our product quality, provide a safe working environment to our employees and maintain an environmentally responsible operation. We adopt the following major quality control procedures in our production processes:

Procurement

We implement quality control measures to ensure the quality of materials and components procured. We maintain a list of qualified suppliers, which is subject to our review from time to time. It is our policy to make procurement only from the qualified suppliers. In addition, we conduct routine inspection and sample tests on materials and components procured from our suppliers before they are used in the production process to ensure that such materials and components comply with our specifications and also the quality standards required. Materials and components that have passed the testing conducted in accordance with our internal policy will then be labelled as "qualified" and stored properly to avoid any unnecessary tear and wear or damage during storage. In the event that we detect any substandard or defective materials or components, they will be labelled as "sub-standard" and be retained in a designated area where technicians will inspect and decide whether such materials and components could be repaired or returned to the relevant suppliers for replacement.

In-process quality testing

We carry out in-process quality inspection and tests at various stages of the production process. In particular, our quality control staff monitor and inspect key production stages to ensure the critical stages in our business, are properly done. Such in-process quality testing enables us to identify any defects easily and to promptly rectify the problems. During the process of industrial thermal engineering equipment production, we also conduct standard non-destructive testing and pressure testing to ensure that our equipment such as process burners and pressure vessels are able to sustain the high pressure, temperature and have overall good integrity and quality.

Finished product testing

Our quality control staff conduct various types of testing on finished products to make sure that the finished products meet the relevant technical standards and our customers' specifications. For process burners and heat exchangers, we typically will carry out trial and testing at our testing centres to ensure the equipment operates according to customers' specifications and functional requirements. Adjustments will be made if necessary to satisfy specific needs of our customers. Only finished products that pass the final product quality control testing will be delivered to our customers.

RESEARCH AND DEVELOPMENT

Research and development collaboration with PRC universities

We have collaborated with a number of PRC universities to further our innovative capabilities and attract new talents to join us. Our Directors believe that with the ever-changing technological advancement in the industry, we could benefit from such collaborations and maintain our research and development and technical edge in design and manufacture of petroleum refinery and petrochemical equipment. During the Track Record period, we have entered collaborative arrangements with a number of top-tier PRC universities, which includes Beihang University (北京航空航天大學), and East China University of Science and Technology (華東理工大學) to take advantage of the research skills and technology of the universities to optimise our product designs and improve our manufacturing technology of petroleum refinery and petrochemical equipment. We have entered into legally binding collaboration agreements with all aforementioned parties, separately.

The collaboration agreements we entered into with the collaborating universities typically contain the following salient terms:

Specifications:	The collaboration agreements generally specify the requirements, technical methods, research progress, funds and remuneration and deliverables of the research and development project
Delivery and inspection:	We usually conduct acceptance inspections according to the technical content and requirements specified in the agreements. We should organise acceptance inspections within a certain period after receiving the research and development results
Payment terms:	We generally settle research and development funds with cooperating universities in RMB and will make installment payments based on project progress. We usually make payment to collaborating universities by way of bank transfer
Intellectual property:	Some collaboration agreements stipulate that the new technical results that we complete using the technical service work results submitted by the collaborating universities shall be owned by us. Other collaboration agreements stipulates that both parties shall have the right to apply for patents for research and development achievements and related intellectual property rights arising from the performance of the agreements, and the ownership of related intellectual property rights shall be jointly owned by both parties

Our Directors are of the view that our Company can benefit from the shared pool of talents and research and development skills and technology of the universities to optimise our equipment designs and improve our manufacturing technology. In addition, we aim to recruit graduates from these universities and send our employees to attend training sessions at these universities in order to keep ourselves abreast with latest industry trends and support development of our Company with a stable supply of research and development talents.

We recorded research and development expenses of approximately RMB18.7 million, RMB25.1 million and RMB38.0 million during the years ended 31 December 2021, 2022 and 2023, respectively. For details of our research and development expenses, please refer to the section headed "Financial Information — Description Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and development expenses" in this prospectus.

Testing and research centres

As of the Latest Practicable Date, we have collaborated with and established one testing and research centre with Honeywell China, and one research and development centre with Huazhong University of Science and Technology, respectively. Honeywell China is a subsidiary of Honeywell International which is an internationally leading supplier and licensor, specialising in providing specialty chemicals and processing technology for the refining and petrochemicals. Our relationship can be traced back to 2012 when Honeywell China and Luoyang Ruichang commerce to negotiate the cooperation for designing, manufacturing, selling, and installing the refining and petrochemical equipment and supporting systems in PRC, and eventually resulted in the implementation of strategic collaboration and the parties jointly established a testing and research centre with Luoyang Ruichang in 2015. In total, we have established four research and development centres and one testing and research centre in Henan Province. Details of our research and testing centres are set out in the table below:

No.	Name of the centre	Function
	Research and development centre	
1.	Henan Province Industrial Wet Smoke Condensation, Energy-saving and Lower Emission System Engineering Research Centre (河南省工業濕煙氣冷凝節能減排消煙系統工程研究中心)	Develop wet plume treatment, low temperature waste heat recovery technology and improve glass plate heat exchanger design
2.	Henan Corporate Technology Centre (河南企業技術中心)	Formulate enterprise technological innovation plans, carry out industrial technological research and development, create and use intellectual property, establish standard technical systems, attract and train innovative talents, construct collaborative innovation networks and promote the implementation of technological innovation throughout the whole process.
3.	Henan Province Petrochemicals Burner Engineering Technology Research Centre (河南省石油化工燃燒器工程技術研究中心)	Research on domestic emission controls on industrial boilers

No.	Name of the centre	Function
4.	East China University of Science and Technology — Ruichang International Joint Institute for Low Carbon Green Energy Technology Innovation and Transfer（華東理工大學 — 瑞昌國際低碳綠色能源聯合技術創新轉移研究所）	Development and research and industrial application promotion for chemical energy storage, low carbon fuel application technology development, organic waste disposal and waste heat recovery technology
Testing and research centre		
1.	Ruichang Asia Burning Testing Centre (瑞昌亞太燃燒測試中心)	Conduct testing on burners and analyse temperature changes and types of flame

COMPETITION

PRC market

The participants in the PRC petroleum refinery and petrochemical industry primarily include listed companies, state-owned enterprises, international engineering companies and private enterprises. The market of petroleum refinery and petrochemical equipment in the PRC is fragmented. In 2023, there were over 40,000 petroleum refinery and petrochemical equipment manufacturers in China's petroleum refinery and petrochemical equipment market. There are over a hundred types of petroleum refinery and petrochemical equipment and in general, equipment manufacturers would only produce certain types of equipment and producers would only compete with each other in the same product type.

In terms of the market share and ranking of our major product category, we were the third largest catalytic cracking equipment manufacturer in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 7.6% in terms of revenue in 2023; we are also the second largest SRU and VOCs incineration equipment manufactures in petroleum refinery and petrochemical operations in the PRC with a market share of approximately 3.4% in terms of revenue in 2023. Based on our past performance and the fact that we are one of the few equipment manufacturers in the industry that possess both design engineering and manufacturing capabilities in China's petroleum refinery and petrochemical equipment industry as of 2023, according to the F&S Report, we believe we are one of the key market players in the PRC petroleum refinery and petrochemical equipment industry with a focus in the provision of SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers; and we also participate in drafting certain national standards and codes in the industry.

Our main competitors in the PRC market include large engineering and equipment manufacturing enterprises. The market of petroleum refinery and petrochemical equipment in China is a large market, including various static and rotating equipment. The market size of petroleum refinery and petrochemical equipment in China increased from RMB484.9 billion in 2018 to RMB715.1 billion in 2023, representing a CAGR of approximately 8.1%. With the growing petroleum refinery capacity and developing petrochemical industry in China, the market is forecasted to grow at a CAGR of approximately 6.5% from 2023 to 2028, reaching RMB979.2 billion in 2028. Market drivers like growing macro economy and accelerating urbanisation process are likely to drive the growth of China's petroleum refinery and petrochemical equipment industry. Alternative energy may affect the demand for oil consumption as energy source, but the value chain of petroleum refinery and petrochemical industry is long and the demand for downstream petrochemical has limited threat from alternative energy. In addition, to face the challenge from alternative energy, petroleum refinery projects who has limited production capacity of petrochemical would also actively seek opportunity to further extend its value chain to establish its own production capacity of petrochemicals such as ethylene, which may bring higher margin than refined oil products. For details of the market development and drivers, please refer to the section headed "Industry Overview — Overview of Petroleum Refinery and Petrochemical Equipment Industry in China" in this prospectus. Due to substantial requirements for technology, capital, good relationships and market reputation, there are high barriers to entry in the industry in which we operate. For details of the market barriers in the PRC, please refer to the section headed "Industry Overview — Overview of Petroleum Refinery and Petrochemical Equipment Industry in China — Entry Barriers Analysis" in this prospectus. However, we believe that with our extensive industry experience, established customisation, research and development capabilities and long-standing business relationships with our major customers, we are well-positioned as one of the key market players in the industry.

Overseas market

Leveraging our established platform in the PRC petroleum refinery and petrochemical equipment industry, we have established overseas presences in Hong Kong and Brazil during the Track Record Period. At present, our overseas sale offices do not have substantial operations and our Group is aimed to expand our sale networks and increase our engagement in Brazil. Brazil's oil refining capacity in 2023 was 2.5 million barrels per day, far below its crude oil production of 3.5 million barrels per day in the same year and Brazil has taken some measures to expand its oil refining capacity to meet its domestic demand. In addition, the PRC government's "One Belt, One Road" Initiative is expected to bring overseas opportunities to PRC manufacturers. The oil refinery capacity of "One Belt, One Road" countries increased from 30.2 million b/d in 2017 to 33.0 million b/d in 2022, with a CAGR of 1.8% and is expected to reach 35.7 million b/d in 2027, at a CAGR of 1.6% since 2022. For details, please refer to the section headed "Industry Overview — Overseas market" in this prospectus.

Relying on our solid industry knowhow and experience accumulated over the years, we plan to extend our market presence internationally in the near future. Our Directors are of the view that our ability to deliver quality and reliable equipment at competitive costs to our customers enables us to advance our business presence in the international market.

BUSINESS ACTIVITIES IN COUNTRIES/REGIONS WITH INTERNATIONAL SANCTIONS EXPOSURE

Certain countries or organisations, including the U.S., the European Union, the United Kingdom, and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within countries/regions subject to International Sanctions.

Prior to our Track Record Period, we had recognised revenue of approximately RMB8.8 million for the year ended 31 December 2020 from sales within China of products to Chinese customers that were subsequently used by/resold to Sanction Persons in Iran, a Sanctioned Country (the "**Indirect Iran Sales**"). During the Track Record Period, we sold our products including process burners and SRU and VOCs incineration equipment (i) directly to three customers located in Russia who were operating in the engineering and manufacturing sectors of the Russian economy (the "**Direct Russian Sales**") and (ii) indirectly to Customer G (the "**Indirect Russian Sales**"). The revenue from our Direct Russian Sales was approximately RMB6.8 million, RMB0.2 million and RMB0.9 million, representing approximately 2.8%, 0.06% and 0.2% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively; and the revenue from our Indirect Russian Sales was nil, nil and approximately RMB62.5 million, representing nil, nil and approximately 11.5% of our total revenue for the same period respectively. In aggregate, our revenue of sales to Russia accounted for approximately 2.8%, 0.06% and 11.7% of our total revenue for 2021, 2022 and 2023, respectively. Among which, in 2023, our Indirect Russian Sales was made to Customer G who is a owner of production facilities located in Russia and the contract was signed in November 2022 with an agent assigned by Customer G, which is a private company registered in Turkey (the "**Turkish Company**") in June 2022. Details of background and our sales with Customer G, please see "Our Customers — Our five largest customers" in this section.

Our Group generally secures sales contracts directly with our customers through our sales referrals, tendering/quotations, or direct negotiation. Prior to/ during the Track Record Period, we transacted with Customer M via tender, whom we have a well-established and long term business relationship since 2010. Base on the good relationship with Customer M, Customer M engaged us to undertake its EPC project in Iran. For our sales with customers in Russia, we mainly obtained such contracts through our existing PRC customers who established companies in Russia, as a result of the increasing overseas demand for our equipment. Being a local equipment manufacturers for over 30 years in the PRC with a majority of our customers are also located in the PRC, our Group had insufficient understanding and knowledge of International Sanctions and we lacked awareness about the relevant risks in business dealings with customers located in countries that might subjects to International Sanctions. Furthermore, Sanctions laws and regulations are continuously evolving, with new individuals and entities regularly added to the sanction target list. Due to our lack of understanding and professional advice on International Sanctions, we failed to monitor the development of International Sanctions during the Track Record Period, such as the directive issued in May 2023 pursuant to Executive Order 14024. Hence, we were involved in certain business activities in countries with International Sanctions exposure during the Track Record Period.

Our International Sanctions Legal Adviser has evaluated our International Sanctions risk exposure by requesting and reviewing factual information, in reliance upon and subject to the assumption that such information provided is accurate, complete, and not misleading. Such factual information included:

a. documents provided by us about our Group, our shareholding structure, business operations, revenues, contracts and customer lists in respect of our sales to Iran and Russia;

b. our list of customers in Iran and Russia;

c. written confirmations from us that neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions; and

d. published lists of entities and regions subject to International Sanctions in Relevant Jurisdictions.

Our International Sanctions Legal Adviser is of the view that our contract with the Turkish Company does not involve any potential contacts with the EU, UK, or Australia. With respect to U.S. sanctions, the U.S. sanctions applicable to Turkey are list-based sanctions and export control measures rather than sectoral or comprehensive sanctions. Specifically, the U.S. government has imposed sanctions on certain Turkish entities that allegedly supported Russia's war in Ukraine. The Turkish Company was screened against the U.S. Consolidated Sanctions Lists by utilising the U.S. OFAC official Sanctions List Search Application. It is not designated on any sanction lists maintained by OFAC and it is not a Sanctioned Target. Thus, our Group's contractual relationship with the Turkish Company would not infringe current sanctions measures of a Relevant Jurisdiction.

Our Directors are of the view that, as at the Latest Practicable Date, we have no reasonable grounds to believe that any of the owners, controllers or directors of the contracting parties are on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC (the "**SDN Lists**").

As advised by our International Sanctions Legal Adviser, our Company is not a Sanctioned Target, or located, incorporated, organised or resident in a Sanctioned Country; and our sales activities during the Track Record Period do not qualify as a Sanctioned Trader for purposes of the Chapter 4.4 of the Guide for New Listing Applicants.

Our International Sanctions Legal Adviser has further advised that our export of products manufactured in China to customers outside of China without any connected sales, marketing, or financing activity occurring in the European Union, the United Kingdom and Australia, or involvement of any our employees who are citizens or permanent residents of such jurisdictions, including our direct and indirect business dealings in Russia and Iran, will not satisfy the jurisdictional requirements of offenses under national sanctions measures adopted by European Union, the United Kingdom and Australia.

On this basis, for the purpose of the Chapter 4.4 of the Guide for New Listing Applicants, our International Sanctions Legal Adviser has advised and members of our Sanctions Oversight Committee concur that, having considered that Iran is subject to comprehensive U.S. economic sanctions; and Russia (excluding Crimea region) and Turkey were not subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction, our Indirect Iran Sales, Direct Russian Sales and Indirect Russian Sales (a) did not constitute Primary Sanctioned Activity; and (b) did include certain transactions that might potentially qualify as Secondary Sanctioned Activity under U.S. law, and that the risks of our Company might become subject to secondary sanctions under U.S. law as a result of each of the Indirect Iran Sales, Direct Russian Sales and the Indirect Russian Sales are determined to be low, as further explained below. However, such risks cannot be excluded but may be further mitigated to the extent that we can demonstrate compliance as discuss below.

Analysis on secondary sanctions risk

(i) Secondary sanctions risk exposure in relation to Indirect Iran Sales

Our Indirect Iran Sales were related to sales within China of non-US origin products to Chinese customers (mainly included Customer M and/or who were not designated on the SDN List) that were subsequently used by/resold to Sanction Persons in Iran, a Sanctioned Country. As advised by our International Sanctions Legal Adviser, the U.S. has authorised secondary sanctions targeting non-US persons who are engaged in dealings with Iranian SDNs or with certain types of industries in Iran even if no SDNs are involved. Given that (i) our Group neither entered any direct export transactions with Sanctioned Persons in Iran, nor involved in any direct communication with Sanctioned Persons in Iran; (ii) we did not make any payment to Sanctioned Persons in Iran; and (iii) we did not make any direct or indirect sales to Iran or Iranian customers after the completion of our Indirect Iran Sales, our International Sanctions Legal Adviser is of the view that our secondary sanction risk exposure is low, but cannot be excluded as explained below.

(ii) Secondary sanctions risk exposure in relation to Direct Russian Sales

As advised by our International Sanctions Legal Adviser, Russia (excluding Crimea region) was not subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction. However, Russia has been subject to various sanctions measures and U.S. sanctions relating to Russia have been imposed under a number of Executive Orders, among which, Executive Order 14024 expanded and authorised OFAC to designate persons determined to "have materially assisted, sponsored, or provide financial, material, or technological support for, or goods or services to or in support of architecture, engineering, construction, manufacturing and transportation sectors of the Russian Federation economy", which became effective in May 2023. Any entity engaged in such activities, or any entity whose property or interests are blocked pursuant to this order. We recorded Direct Russian Sales of approximately 2.8%, 0.06% and 0.2% of our total revenue, respectively, during the Track Record Period. As at the Latest Practicable Date, we still have one sale contract with Direct Russian Sales to be completed in 2024. Given that (i) there was only two single discrete transaction in connection with Direct Russian Sales that was entered into and completed after the U.S. sanctions on the manufacturing and engineering sectors of the Russian Federation economy became effective in May 2023 which each comprising only 0.03% and 0.05% of our revenue in 2023; and (ii) others transactions with Direct Russian Sales were entered into and completed before the U.S. sanctions on the manufacturing and engineering sectors of the Russian Federation economy became effective in May 2023; hence, our Direct Russian Sales are unlikely to rise to the level of "significant" for purpose of relevant U.S. secondary sanctions regimes. Thus, our International Sanctions Legal Adviser is of the view that the risk of secondary sanctions on our Direct Russian Sales alone are low.

(iii) Secondary sanctions risk exposure in relation to Indirect Russian Sales

Based on the above analysis, our Indirect Russian Sales is likely to qualify as sales to entity operating in the manufacturing sector of the Russian economy, thus, trigger secondary sanctions. Given that there was only one single discrete transaction in connection with our Indirect Russian Sales and such relevant sale contract was entered into in 2022 and a substantial part of down payment was received in 2022 which was before the U.S. sanctions on manufacturing sector of the Russian economy became effective in May 2023. Thus, our International Sanctions Legal Adviser is of the view that the risk of secondary sanctions on our Indirect Russian Sales are low.

Our Directors also confirm that, as at the Latest Practicable Date, we had not been notified that any International Sanctions penalties would be imposed on us for our sales to Russia during the Track Record Period.

Nevertheless, because the U.S. executive branch has substantial discretion in determining whether or not to impose secondary sanctions in order to advance broader policy objectives, such above sanctions risks in relation to our Indirect Iran Sales, Direct Russian Sales and Indirect Russian Sales cannot be excluded but may be further reduced to the extent that our Company can demonstrate compliance with the undertakings to the Stock Exchange discussed below.

(iv) Possible maximum penalty

As advised by our International Sanction Legal Adviser, secondary sanctions are intended to deter non-U.S. persons from engaging in certain dealings that are deemed to be contrary to U.S. national security and foreign policy interests by restricting their access to U.S. markets. Unlike primary sanctions, which can give rise to civil and criminal penalties if violated, the consequence for engaging in secondary sanctionable activities is a designation on the SDN List or the imposition of other trade or investment restrictions on dealings with parties subject to U.S. jurisdiction.

As at the Latest Practicable Date, our Group had already ceased to sell equipment to Iran; and except for the current sale orders on hand with Direct Russian Sales as abovementioned, we have already ceased to sell equipment to Russia. Accordingly, we shall not have any new direct or indirect business activities with Russia and Iran upon Listing. Our Directors also confirm that our Group will not conduct any future business with persons on the SDN Lists or with any individuals, entities or countries who are subject to International Sanctions or located in Iran or Sanctioned Countries. In addition, we have implemented, and will continue to enhance, internal control and risk management measures which we believe enable us to better monitor and evaluate our business and to address economic sanctions risks. For more details, please refer to the paragraph headed "Our Internal Control Measures to Minimise Sanctions Risk" in this section. Further, given the scope of the Global Offering, the expected use of proceeds as set out in this prospectus, the effective implementation of internal control measures as described in paragraphs headed "Our undertakings to the Stock Exchange" in this section and our Directors' confirmation on the accuracy and completeness of information provided to our International Sanctions Legal Adviser, our International Sanctions Legal Adviser are of the view that the participation by the Stock Exchange, Listing Committee and related group companies which have involved in the Listing, trading and clearing of our Company's Shares would not infringe International Sanctions enacted by Relevant Jurisdictions currently in force. As a result, we are not subject to material contingent liabilities in relation to the Primary Sanctioned Activity or Secondary Sanctioned Activity during the Track Record Period.

Our undertakings to the Stock Exchange

We undertake to the Stock Exchange that:

— we will not conduct any sales, directly or indirectly, to Iran or Russia or any individuals, entities or countries who are subject to International Sanctions or located in Sanctioned Countries;

— we will not use the net proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the United States, the European Union, Australia or the United Kingdom, including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, Australia or the United Kingdom;

— we will not use the net proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions;

— As at the Latest Practicable Date, we do not have any sales contracts that constitute Primary Sanctioned Activity; and we do not have any business dealings with Customer G which may constitute Secondary Sanctioned Activity;

— we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the United States, the European Union, Australia or the United Kingdom;

— we will make timely disclosure on the website of the Stock Exchange and our website if we believe that any of our business activities would put our Group or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the European Union, Australia or the United Kingdom;

— we will also include such disclosures in our annual or interim reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the European Union, Australia and the United Kingdom, and our business intention relating to customers from any such country; and

— we have adopted internal control and risk management measures to ensure that we can comply with the above undertakings. Please see paragraph headed "Our Internal Control Measures to Minimise Sanctions Risk" in this section for more details.

Our internal control measures to minimise sanctions risk

In order to identify and monitor our exposure to risks associated with sanctions laws relating to these sales, the following measures have been fully implemented to control and monitor our exposure to sanctions risks.

— our Company has established a sanctions oversight committee in May 2024, to (the "**Sanctions Oversight Committee**") manage our exposures to sanctions risks and oversee the implementation of the related internal control policies. The Sanctions Oversight Committee comprises three members, including Mr. ZHANG Shengjie (an independent non-executive Director) as chairman, Mr. FU Cong (financial director and a joint company secretary) and Ms. WU Rui (an executive Director and vice president (administration)). Please refer to the section headed "Directors and Senior Management" for further details on the experience of the members. The composition of our Sanctions Oversight Committee consists of members who collectively, are familiar with our operations, have relevant legal and financial management expertise, able to offer independent oversight and have executive power and authority to monitor sanctions risks and implement recommendations made by the Sanctions Oversight Committee. Our Sanctions Oversight Committee will hold at least one meeting each year to monitor our exposure to sanctions risks. Upon consultation with the International Sanctions Legal Adviser, our Directors are of the view that the Sanctions Oversight Committee collectively have sufficient capabilities and expertise in identifying and advising us on sanctions matters and risks, together with the advice from appropriate external legal advisers, if necessary;

— since May 2024, the Sanctions Oversight Committee may engage external legal advisers with relevant expertise and experience in sanctions matters to advise and evaluate our Company on the sanctions risks as and when necessary. The Sanctions Oversight Committee will also implement risk management measures taking into account the advice and recommendations provided by such external legal advisers, in order to safeguard our Group against potential sanctions risks. Based on the above, the International Sanctions Legal Adviser are of the view that the establishment of Sanctions Oversight Committee would be able to serve the purpose on monitoring our exposure to sanctions risks and advise us on sanction matters together with external legal advisers, if necessary;

— taking into account of advice from our International Sanctions Legal Adviser, our Company has implemented a screening system in May 2024 to screen customers against published database/portals in the United States, the European Union, Australia or the United Kingdom. Our Company may also engage third party service providers to conduct or support such screening;

— for existing customers and suppliers, we have established a guideline in February 2024, and performed risk assessment prior to entering into a transaction and/or on a quarterly basis to confirm that they have not become sanction targets. Prior to entering into a transaction with potential customers, we would conduct assessment and review their information provided (including company background, operating location and nature of business) and conduct screening in accordance with our implemented policy;

— since February 2024, we have enquired for the location of projects or production facilities for the use of our products before entering into any equipment-related contacts with our customers. For customers who are trading companies, we would conduct further enquires on their downstream customers. No purchase order would be accepted unless and until the relevant information is obtained. Approval from the Sanctions Oversight Committee is required for any potential sanctions risk identified;

— since February 2024, we have recorded and been maintaining the accurate and complete name and address information of our business partners (including suppliers, customers and other partners) in our system, clarify all relevant parties directly or indirectly involved in our business activities, and make compliance review and export authorisation determination;

— since February 2024, we had and we will on-going arrange additional due diligence on our customers and obtain information of end-users or end-use declarations, including but not limited to, our equipment involving resales to Sanctioned Countries, restricted subjects and/or reselling for restricted end user; and

— we have provided training programs relating to sanctions to our Directors in May 2024; we and the Sanctions Oversight Committee had and will continuously monitor the updates of recent development of International Sanctions on a quarterly basis from public information in order to have an intimate knowledge of changes in relevant rules and policies assist our management with our business decision, prevent relevant compliance risks and mitigate sanctions risk.

The internal control measures above are ongoing measures which have been taken by us. Upon Listing, we will further implement below measures to minimise sanctions risk:

— we will stipulate the termination rights of us in sales contracts, including but not limited to stipulating that our Group has the right to terminate the contracts if our customers resell our products to Sanctioned Countries or Sanctioned Persons;

— we will open and maintain separate bank account(s) which is/are designated for proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned country or any other government, individual or entity sanctioned by the United States, the European Union, Australia or the United Kingdom;

— we will continuously control and monitor the sanctions risks based on our internal control measures set out herein. Upon the identification of any apparent sanctions violations, we will take active measures to further mitigate such risks, including consulting appropriate international legal counsel on potential remedial and/or mitigating measures, and voluntary self reporting of the matters to relevant government authorities;

— our senior management and other relevant personnel who are responsible for evaluating the potential sanctions risks in our daily operations will perform screening procedures on counterparties to our Group's business against the published and real-time updated database/portals of restricted parties and countries subject to International Sanctions or Sanction Persons when entering of new contracts (or conducting the screening in reliance of alternative means such as engaging commercial screening service providers), in order to ensure none of them are Sanctioned Persons. Our International Sanctions Legal Adviser has been consulted in the preparation of such screening system;

— we will disclose in our annual reports or interim reports (i) details of any new activities in countries/regions subject to International Sanctions or with Sanctioned Persons; (ii) our efforts on monitoring our business exposure to sanctions risks; and (iii) the status of, and the anticipated plans for any new activities in countries/regions subject to International Sanctions and with Sanctioned Persons; and

— we will disclose in our annual reports (i) the views of Sanctions Oversight Committee on our sanctions risk exposure and compliance with applicable International Sanctions laws and regulations; and (ii) the views of Audit Committee of our Board on the adequacy and effectiveness of our internal control measures in mitigating the sanctions risk of our Group after Listing.

The Internal Control Consultant conducted follow-up reviews on our enhanced internal control measures in respect of our exposure to sanction risks that may arise from our business dealings with counterparties in overseas countries, for the period from March 2023 to February 2024. The Internal Control Consultant is not aware of any significant deficiencies in the design and implementation (save for those internal control measures which will be implemented upon Listing) of the enhanced internal control measures in respect of our exposure to sanction risks, and the Internal Control Consultant did not have any further recommendation in the internal control review. After taking into account the work undertaken by the Internal Control Consultant, members to the audit committee of our Board is of the view that our enhanced internal control measures are adequate and effective in mitigating the sanctions risk of our Group.

After undertaking relevant due diligence and taking into accounts the view of our International Sanctions Legal Adviser regarding our business activities and Internal Control Consultant, our Directors, members of our Sanctions Oversight Committee and the Sole Sponsor, are of the view that these measures are adequate and effective for our Group to identify potential sanctions risk and comply with applicable International Sanctions laws.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have also obtained registration of 219 patents (including co-owned) and 33 trademarks in the PRC and we have been the registrant of the domain name **www.ruichang.com.cn** since 25 May 1999. For details, see "Statutory and General Information — Further Information about the Business of Our Group — Our material intellectual property rights" in Appendix V to this prospectus. Our Directors are of the view that our registered patents represent important technical capacities which set the foundation of our research and development abilities. Our Directors also consider that our registered domain name and trademarks are important to our business in terms of brand identification and customers' awareness.

Co-owned patents

As of the Latest Practicable Date, we have registered the following patents which are co-owned with the third parties and material to our business:

Patent	Type of patent	Name of patent holder	Place of registration	Patent number	Application date	Grant date
A kind of high-temperature silo insulation structure and high-temperature silo, thermal storage system (一種高溫料倉隔熱結構及高溫料倉、蓄熱繫統)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	2023225115066	15 September 2023	14 May 2024
A kind of flange-style blowing thermocouple (一種法蘭式吹氣熱電偶)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	2023222304691	18 August 2023	5 April 2024
A kind of combined air-liquid heat exchanger (一種組合式氣液換熱器)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	2023222304691	18 August 2023	5 April 2024
Catalytic cracking flue gas treatment device (催化裂化煙氣處理裝置)	Invention	Luoyang Ruichang, Luoyang Mingyuan Petrochemical Technology Co., Ltd. (洛陽明遠石化技術有限公司)	PRC	ZL2016111170683	7 December 2016	9 January 2024
A kind of adjustable solid heat storage boiler system (一種可調式固體蓄熱鍋爐系統)	Utility Model	Luoyang Ruichang, Shanghai Ruiqieer	PRC	ZL202322049310X	1 August 2023	5 January 2024
A kind of vertical glass tube air preheater (一種立式玻璃管空氣預熱器)	Utility Model	Luoyang Ruichang, Shanghai Ruiqieer	PRC	ZL2023219372212	22 July 2023	15 December 2023
Thermochemical heat storage system (熱化學儲熱系統)	Utility Model	Luoyang Ruichang, Shanghai Ruiqieer, East China University of Science and Technology (華東理工大學)	PRC	ZL2023216731567	28 June 2023	1 December 2023
A thermal chemical storage system of calcium hydroxide (一種氫氧化鈣熱化學儲能系統)	Utility Model	Luoyang Richen, Luoyang Ruichang, East China University of Science and Technology (華東理工大學)	PRC	ZL2023208920389	20 April 2023	31 October 2023

Patent	Type of patent	Name of patent holder	Place of registration	Patent number	Application date	Grant date
A kind of acetylene cracking furnace burner plate (一種乙炔裂解爐燒嘴板)	Utility Model	Luoyang Ruichang, China Chengda Engineering Co., Ltd. (中國成達工程有限公司)	PRC	ZL2023203593094	1 March 2023	22 August 2023
A kind of flue gas heat exchanger and waste lead-acid battery recycling system exhaust dual GGH energy-saving treatment system (一種煙氣熱交換器及廢鉛酸蓄電池回收系統廢氣雙GGH節能處理系統)	Utility Model	Luoyang Ruichang, China Enfi Engineering Corporation (中國恩菲工程技術有限公司)	PRC	ZL2023208324268	14 April 2023	21 July 2023
Fluidized bed reaction system of calcium-based thermal storage material (鈣基儲熱材料的流化床反應系統)	Utility Model	Luoyang Richen, Luoyang Ruichang, East China University of Science and Technology (華東理工大學)	PRC	ZL2022233598548	14 December 2022	2 June 2023
A kind of sulfur recovery systems (一種硫回收系統)	Utility Model	Luoyang Ruichang, Luoyang Hongxing Xinneng Chemical Co., Ltd. (洛陽宏興新能化工有限公司)	PRC	ZL2022224033755	9 September 2022	6 January 2023
Kind of wear-resistant nozzle (一種耐磨噴嘴)	Utility Model	Luoyang Ruichang, China Petroleum and Chemical Corp (中國石油化工股份有限公司), Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司), Sinopec Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司)	PRC	ZL2022210956153	9 May 2022	6 September 2022

Patent	Type of patent	Name of patent holder	Place of registration	Patent number	Application date	Grant date
kind of wear-resistant nozzle (一種耐磨噴嘴)	Utility Model	Luoyang Ruichang, China Petroleum and Chemical Corp (中國石油化工股份有限公司), Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司), Sinopec Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司)	PRC	ZL2022210956327	9 May 2022	6 September 2022
A kind of whitening chimney and flue gas treatment system (一種消白煙囪及煙氣處理系統)	Utility Model	Luoyang Ruichang, Chengdu Rainbow Environmental Equipment Co., Ltd. (成都雲白環境設備製造有限公司)	PRC	ZL2020203341776	17 March 2020	11 December 2020
Acid gas combustor (一種酸性氣燃燒器)	Utility Model	Luoyang Ruichang, Puguang Branch Zhongyuan Oilfield Sinopec (中國石化股份有限公司中原油田普光分公司), China Petroleum and Chemical Corp (中國石油化工股份有限公司), Petroleum Engineering Technology Research Institute of Sinopec Zhongyuan Oilfield Co. (中國石油化工股份有限公司中原油田分公司石油工程技術研究院)	PRC	ZL2019218606438	31 October 2019	17 July 2020
CO2 reduction of hydrogen production device 2 Matched burner of discharge process heating furnace (一種製氫裝置減少CO2排放工藝加熱爐配套燃燒器)	Utility Model	Luoyang Ruichang, China Petroleum and Chemical Corp (中國石油化工股份有限公司)	PRC	ZL2019203937743	27 March 2019	3 January 2020
A kind of sulfur recovery process for highly concentrated acid gas (一種高濃度酸性氣的硫磺回收工藝)	Invention	Luoyang Ruichang, Shandong Xunda Chemical Group Corp (山東迅達化工集團有限公司)	PRC	ZL2018110057466	30 August 2018	23 October 2020

Patent	Type of patent	Name of patent holder	Place of registration	Patent number	Application date	Grant date
A kind of sulfur recovery process for low to medium concentrated acid gas (一種中低濃度酸性氣的硫磺回收工藝)	Invention	Luoyang Ruichang, Shandong Xunda Chemical Group Corp (山東迅達化工集團有限公司)	PRC	ZL2018110057470	30 August 2018	23 October 2020
A kind of Heat exchanger plates and plate and tube air Preheaters with same (一種換熱板管以及具有其的板管式空氣預熱器)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2017209306295	28 July 2017	2 March 2018
A kind of plate and tube air preheater (一種板管式空氣預熱器)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2017208904111	21 July 2017	2 March 2018
Tail gas burning plants and tail gas burning furnace (尾氣焚燒設備和尾氣焚燒爐)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2016213951245	19 December 2016	8 September 2017
Catalytic cracking flue gas treatment plants (催化裂化煙氣處理裝置)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2016213365588	7 December 2016	3 October 2017
A kind of water-sealed valve (一種水封閥)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015208506717	29 October 2015	30 March 2016
A kind of exhaust gas burner (一種廢氣燃燒器)	Invention	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015105978123	17 September 2015	13 June 2017
A kind of new type of high-efficiency welded plate type heat exchanger (一種新型高效焊接板式換熱器)	Invention	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015105368387	27 August 2015	29 March 2017
A kind of water seal valve apparatus for installation in a chimney and method of use (一種設置於煙囱內的水封閥設備及其使用方法)	Invention	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015104703496	4 August 2015	6 March 2018
Dual fuel flat flame gas burner (雙燃料扁平火焰氣體燃燒器)	Utility Model	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015204509491	26 June 2015	28 October 2015

Patent	Type of patent	Name of patent holder	Place of registration	Patent number	Application date	Grant date
A kind of flue gas piping system and a gas sealing valve thereof (一種煙氣管道系統及其氣封閥)	Invention	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015103090663	8 June 2015	15 August 2017
A kind of flue gas waste heat recovery device (一種煙氣余熱回收裝置)	Invention	Luoyang Ruichang, Luoyang Mingyuan	PRC	ZL2015100046419	6 January 2015	11 January 2017

As advised by our PRC Legal Advisers, under the relevant PRC law, a granted invention has a validity period of 20 years from the date of its application and a granted utility model has a validity period of ten years from the date of its application.

Our Directors confirmed that there are no agreements regarding the exercise of rights by the co-owners of the right to apply for the patent or of the patent right between us and the above co-owners. As advised by our PRC Legal Advisers, in accordance with applicable PRC law, if there is no agreements between the co-owners, any co-owner can implement the co-owned patent on his own without obtaining the consent of other co-owners.

We had not been subject to any intellectual property infringement claim which had any material adverse impact on our Group during the Track Record Period and up to the Latest Practicable date and we were not aware of any such claims, either pending or threatened against us. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Any failure to adequately protect our intellectual property rights or any infringement claims brought by third parties against us may have an adverse effect on our business, financial condition and results of operations" in this prospectus.

QUALIFICATIONS AND LICENCES

As of the Latest Practicable Date, we have the following material licences, permits and certificates required by our Group for our current business operations:

Licences/permit/certificate	Awarded subsidiary	Issuing body/authority	Date of effect	Expiry date
Production Licences of Special Equipment of the PRC (Design of pressure pipeline) (特種設備生產許可證(壓力管道設計))	Luoyang Ruichang	Henan Provincial Market Supervision Administration	15 November 2021	19 November 2025
Production Licences of Special Equipment of the PRC (Manufacture of pressure piping components) (特種設備生產許可證(壓力管道元件製造))	Luoyang Ruichang	Henan Provincial Market Supervision Administration	1 July 2022	30 June 2026
Production Licences of Special Equipment of the PRC (Manufacture of pressure piping) (特種設備生產許可證(壓力容器製造))	Luoyang Ruichang	Henan Provincial Market Supervision Administration	26 October 2021	25 October 2025
Production Licences of Special Equipment of the PRC (Installation, repairment and modification of special pressure equipment) (特種設備生產許可證(承壓類特種設備安裝、修理、改造))	Luoyang Ruichang	Henan Provincial Market Supervision Administration	3 December 2023	2 December 2027
Customs Declaration Entity Registration Certificate (報關單位註冊登記證書)	Luoyang Ruichang	Luoyang customs of the people's Republic of China	25 June 2018	Long-term
Certificate of Authorisation (ASME-U)	Luoyang Ruichang	ASME	10 July 2021	10 July 2024

Licences/permit/certificate	Awarded subsidiary	Issuing body/authority	Date of effect	Expiry date
Certificate of High Technology Enterprise (高新技術企業證書)	Luoyang Ruichang	Department of Science and Technology of Henan Province, the Henan Provincial Department of Finance, Henan Provincial Tax Service of the State Taxation Administration	22 November 2023	21 November 2026
Certificate of Conformity of Explosion-Proof (防爆合格證)	Luoyang Ruichang	National Explosion-proof Electrical Product Quality Supervision and Inspection Centre Nanyang Explosion-proof Electrical Research Institute	28 June 2021	27 June 2026
Pollutant Discharge Permit (排污許可證)	Luoyang Ruichang	Jianxi Branch of the Ecological and Environmental Protection Bureau of Luoyang	20 November 2023	19 November 2028
Certificate of Conformity of Occupational Health and Safety Management System (職業健康安全管理體系認證證書)	Luoyang Ruichang	Beijing United Intelligence Certification Co., Ltd.	2 July 2021	2 July 2024
Quality Management System Certificate (質量管理體系認證證書)	Luoyang Ruichang	Beijing United Intelligence Certification Co., Ltd.	2 July 2021	2 July 2024
Environmental Management System Certificate (環境管理體系認證證書)	Luoyang Ruichang	Beijing United Intelligence Certification Co., Ltd.	2 July 2021	2 July 2024
Construction Enterprise Qualification Certificate (建築業企業資質證書)	Luoyang Ruichang	Luoyang High-tech Zone (Luoyang Free Trade Zone, Comprehensive Free Trade Zone) Management Committee	15 January 2024	15 January 2029
Work Safety Licences (安全生產許可證)	Luoyang Ruichang	Department of Housing and Urban-Rural Development of Henan Province	29 April 2024	29 April 2027

As some of our industrial licences or certificates will expire in 2024, we will apply for renewal of such licences or certificates as and when appropriate. Based on our understanding, the issuing body or authority generally would grant the renewal of the relevant licences or certificate to us (i) if there is no adverse change in our manufacturing capacity, such as the major production machinery that we equipped at our production facilities and the qualification of our technical personnel, as compared to the time when we first applied for the relevant licence or certificate; and (ii) if we have complied with or satisfied the relevant requirements or standards of the relevant licence or certificate during the term of the relevant licence or certificate. We do not expect any legal impediment to renew these licences or certificates upon their expiration and historically, we have not failed to renew the relevant licences or certificates that had expired. As confirmed by our PRC Legal Advisers, all of our operating subsidiaries in the PRC have obtained all requisite material certificates, licences, permits and approvals from the relevant PRC authorities for our operations in the PRC as of the Latest Practicable Date.

AWARDS AND RECOGNITIONS

Over the years, we have obtained various awards and recognitions from a number of accrediting institutions as to conformity with industry standards of specifications of our products and recognising our products as a technologically advanced model. The table below sets out the more notable awards and recognitions obtained by us:

Year of award	Award/recognition	Issuing authority
2023	Specialised, sophisticated and Little Giant Enterprise (專精特新小巨人企業)	Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳)
2022	Shanghai Specialised and sophisticated Enterprise (上海市專精特新企業)	Shanghai Municipal Commission of Economy and Information (上海市經濟和信息化委員會)
2017	Prize for Progress of Science and Technology of Luoyang City (洛陽市科技技術進步獎二等獎) — Low pressure water sealed tank (低壓降節能水封罐)	Luoyang City People's Government (洛陽市人民政府)
2015	Model enterprise in the development of innovative technologies for energy-saving and low emission equipment in Henan Province (河南省節能減排科技創新示範企業)	Science and Technology Committee of Henan Province (河南省科學技術廳) Development and Reform Committee of Henan Province (河南省發展和改革委員會) Industrial and Information Committee of Henan Province (河南省工業和資訊化委員會) Environmental Protection Committee of Henan Province (河南省環境保護廳) Residential and Suburb Development Committee of Henan Province (河南省住房和城鄉建設廳)

Year of award	Award/recognition	Issuing authority
2015	National Patent Distinction Award (中國專利優秀獎)	State Intellectual Property Office of the People's Republic of China (國家知識產權局)
2015	Prize for Progress of Science and Technology of Luoyang City (洛陽市科技技術進步獎二等獎)	Luoyang City People's Government (洛陽市人民政府)
	— Plate heat exchanger (板式空氣預熱器)	
	— Low NOx process burner (低氮氧化物燃燒器)	
2014	Luoyang New & High-Tech Quality Award (洛陽高新區主任質量獎)	Luoyang National New & High-Tech Industry Development Zone (洛陽國家高新技術產業開發區)

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Health and safety

Our business operations are subject to certain PRC laws and regulations relating to occupational health and workplace safety. We strive to provide a healthy and safe work environment for our employees for which we have implemented safety guidelines to promote occupational health and workplace safety and to ensure compliance with applicable laws and regulations, such as, Environmental and Occupational Health and Safety Management Manual (《環境和職業健康安全管理手冊》) and Regulations for the Management of Labour Protection Equipment (《勞動防護用品管理規定》). According to our internal HSE guideline issued in March 2020, we set out six principles being, ''safety first (安全第一)'', ''emphasis on prevention (預防為主)'', ''energy-saving and environmentally friendly (節能環保)'', ''healthy working environment (健康從業)'', ''strict compliance with laws and regulations (遵紀守法)'' and ''continuous improvement (持續改進)''. In addition, we established a safety production assessment scheme through system documents such as Safety Performance Evaluation Management System (《安全績效評定管理制度》) and Safety Production Responsibility Agreement (《安全生產責任書》), clarifying specific reward and punishment measures and amounts. The main responsibility for safety is implemented through the effective implementation and continuous improvement of various management measures. We provide trainings on occupational safety to our employees from time to time. In 2023, we carried out safety emergency drills, involving themes such as electric shock, fire and explosion, and limited space, and safety trainings for our employees. We have implemented safety measures at our production bases to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of employees, such as System of Responsibility for Safe Production (《安全生產責任制度》), Management System for Safety Production Targets (《安全生產目標管理制度》) and Management System for the Investigation and Management of Hidden Safety Production Hazards (《安全生產隱患排查治理管理制度》).

Fatal accident happened in January 2024

On 18 January 2024, Luoyang Ruichang have encountered one accident happened in our production facilities at Yanguang Road, Luoyang city that resulted in the death of our worker (the "**Accident**"). The deceased worker did not fully follow our work safety procedures, by wearing gloves and conducting polishing work on the processed piece without turning off the machine tool during the operation. Due to improper positioning, the right arm of the deceased worker was pulled into the lathe and was fatally injured. The Luoyang City Jianxi District Emergency Management Bureau (洛陽市澗西區應急管理局) (the "**Bureau**") has conducted an investigation which was completed in April 2024. According to Article 3 of the Regulations on Reporting, Investigation and Handling of Production Safety Accidents《生產安全事故報告及調查處理條例》, an ordinary accident refer to accident that cause the death of less than three people, serious injuries to less than 10 people, or direct economic losses of less than RMB10 million. Thus, the Accident is concluded as an ordinary accident by the Bureau. Accordingly, we were imposed by the Bureau on 10 April 2024 an administrative penalty of RMB390,000 according to Article 114 (1) of the Production Safety Law of the People's Republic of China《中華人民共和國安全生產法》. Such penalty was fully settled on 16 April 2024. We have also entered into a compensation agreement with the deceased worker's family members and paid RMB1.7 million (the "**Compensation**") to the deceased's family members which has been fully settled as at the Latest Practicable Date.

As advised by our PRC Legal Advisers, Luoyang City Jianxi District Emergency Management Bureau (洛陽市澗西區應急管理局) is the competent authority to investigate and confirm the related matters. Except for the administrative penalty mention above, as at the Latest Practicable Date, our Group has not received any revocation of operating licences or been ordered to suspend productions, or other punitive measures by any relevant competent authorities as a result of this Accident. Our PRC Legal Advisers are of the view that, considering that (i) the penalty has been fully settled and the amount of the penalty has no material adverse impact on our financial performance; (ii) according to Article 29 of the Administrative Punishment Law of the People's Republic of China《中華人民共和國行政處罰法》, it is unlikely that we will be penalized for the same accident in the future; and (iii) except for the above Accident, during the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with the relevant PRC laws and regulations relating to our business operations and we obtained licences, approvals and permits from the appropriate regulatory authorities that are material for our business operations in the PRC, the Accident has no material impact to our Group's licences obtained, operations and financial performance.

After the occurrence of the Accident, we have enhanced our safety measures in March 2024, such as (i) carrying out trainings related to machinery safety and protection to our frontline workers and enhanced their safety awareness; (ii) conducting a comprehensive check on our machinery and equipment and ensure safety issues are remedied; (iii) upgrading the monitor system to exercise effective safety supervision and enhanced safety awareness of our staff; and (iv) carrying regular review of the implementation of the safety measures and assess the effectiveness of the measures.

Having considered (i) the additional safety measures put in place by our Group to prevent recurrence of the Accident which has been implemented in March 2024 and reviewed by our Internal Control Consultant; and (ii) the current safety measures and procedures of our Group, our Directors are of the view, and the Sole Sponsor concurs, that the enhanced safety measures put in place by our Group were adequate and effective.

To the best of our knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, except for the Accident above, we were in compliance with the work safety laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, save as the above Accident and set out in the paragraph headed "Legal Proceedings" below, we had not received any notice or order from any government or regulatory authorities relating to non-compliance with work safety laws and regulations nor experienced any significant incidents or accidents in the course of our operations and our Directors were not aware of any material claims for personal or property damages in connection with health and occupational safety.

Employment

We foster inclusion and equality among employees from all backgrounds, regardless of gender, region, nationality, age, marital status, disability, or political stance, among others. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment.

To attract and retain talent, we believe we offer competitive remuneration packages that include basic benefits and additional benefits, such as annual festival benefits, birthday benefits, condolences for funerals, marriage bonuses, children's education funds and major accident consolation money. In addition to our benefit system, we have established a limited partnership as a shareholding platform for employees to participate in the transfer. Our equity incentive plan covers our management (including middle and senior level and basic management), core sales personnel, and core technical personnel.

We put great emphasis on employee growth and development, and continuously improve the talent promotion system and training system to provide a clear career development path for employees. We have developed training management policies, such as Training Management System (《培訓管理制度》) and Management Measures for Improving Employees' Academic Qualifications (《員工在職學歷提升管理辦法》), and carried out training activities among our employees to help them improve skills, knowledge and management capability in all aspects.

Product responsibility

Our Group strictly abides by the relevant state laws and regulations as well as quality standards in the industry. We have set up a production quality management system and management structure, developed quality management policies such as Quality Manual (《質量手冊》) and Quality Management System Planning Procedure Documents (《質量管理體系程序文件》), and set clear goals, tasks and specific measures in quality control and management. We conduct quality inspections of our products regularly, hold quality analysis meetings and trainings, continually improve specific measures to enhance production quality and strive to improve the Company's overall quality management capability.

As advised by our PRC Legal Adviser, our Group conducted business activities, in material respects, in compliance with the requirements of the relevant laws and regulations on product quality and technical supervision, and we have not been subject to any material administrative penalties due to issues relating to product quality, technical standards and industry norms during the Track Record Period and up to the Latest Practicable Date.

Supply chain management

Our Group has adopted strict supplier management policies and procedures. With respect to supplier management, we have introduced a series of policies and rules such as the Supplier Management System for Procurement (《採購外協供應商管理制度》). In the process of selecting our suppliers, the performance and governance capabilities of suppliers in terms of health, safety, and environmental protection are also taken into our consideration. If our suppliers encounter special circumstances related to health, safety, and environmental protection, we will conduct investigations, and take appropriate management measures based on the investigation results, including but not limited to providing training and education to our suppliers, rectification within a time limit, suspension or termination of cooperation. In addition, we will provide training, meeting discussions, and other support related to health, safety, and environmental protection for our suppliers.

Anti-bribery and anti-corruption

Our Group is 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 whistleblows. 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.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material breach of relevant anti-corruption laws and regulations that had a significant impact on our business operations and financial position. As advised by our PRC Legal Adviser, our Group and its domestic subsidiaries were not involved in any litigation or criminal offences arising from corruption or bribery issues during the Track Record Period and up to the Latest Practicable Date.

Environmental protection

We regard environmental protection as an essential corporate responsibility and therefore place great emphasis on environmental protection measures and promulgate various internal policies on environmental compliance matters and are committed to integrating environmental protection technologies into product design and manufacture to ensure that we operate in compliance with relevant environmental laws and regulations. The following table sets out our major pollutants, environmental protection measures adopted and the relevant discharge standard:

Major pollutants	Major environmental protection measures adopted	Discharge standards
Wastewater	We may produce two types of wastewater during our operation being, industrial wastewater and domestic wastewater. For industrial wastewater, it is mainly the acid wash wastewater generated from the surface treatment of some stainless steel containers. We use the plant wastewater treatment station for treatment in accordance with the industrial standards wastewater treatment scheme. The sludge generated in the treatment process will be sent to the sludge drying tank, temporarily stored in the hazardous waste temporary storage room after dehydration, and regularly delivered to a qualified third-party recognised waste collector for transportation and disposal. After the treatment is up to the standard, it is discharged into the municipal pipe network and enters wastewater treatment plant in Jianxi, Luoyang for advanced treatment. For domestic wastewater, we discharge the waste water into the municipal sewage pipe network for advanced treatment at the wastewater treatment plant in Jianxi, Luoyang after being treated in the septic tank in the plant area.	Integrated Wastewater Discharge Standard (GB 8978-1996) (《污水綜合排放標準》 GB8978-1996)

Major pollutants	Major environmental protection measures adopted	Discharge standards
Air pollutants	We may produce air particles, nitrogen oxides and other air pollutants during our operation. We collect, filter and process air pollutants produced and discharge the processed air through a chimney in accordance with the local emission control regulations. We have also installed a monitoring device at our emission chimney which is connected with the local environmental monitoring centre and real time emission data can be uploaded and monitored by the provincial environmental authority.	Integrated Emission Standard for Air Pollutants (GB 16297-1996) (《大氣污染物綜合排放標準》GB 16297-1996) Emission Standard of Volatile Organic Compounds for Industrial Surface Coating (DB41/1951-2020) (《河南省工業塗裝工序揮發性有機物排放標準》DB41/1951-2020) Emission Standard of Air Pollutants for Industrial Furnaces in Henan Province (DB41/1066-2020) (《河南省工業爐窯大氣污染物排放標準》DB41/1066-2020)
Solid waste	We may produce three types of solid waste during our operation being, metal scrap and scrap iron, hazardous waste and domestic waste. We collect metal scrap and scrap iron produced during our operation and send them to local recycling centre. For hazardous waste, we engage qualified third party waste treatment agents to properly process and treat such waste in accordance with applicable laws and regulations. As for domestic waste, we dispose such waste to local waste treatment centre.	Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB18599-2020) (《一般工業固體廢物貯存及掩埋污染控制標準》GB18599-2020) Standard for Pollution Control on Hazardous Waste Landfill (GB18598-2019) (《危險廢物填埋污染控制標準》GB18598-2019) Standard for Pollution Control on Hazardous Waste Storage (GB18597-2023) (《危險廢物貯存污染控制標準》GB 18597-2023)

Major pollutants	Major environmental protection measures adopted	Discharge standards
Noise control	We install basic noise cancellation and sound insulation devices to minimise the level of noise produced during our operation. To ensure strict compliance with national and local standards, we also engage third party monitoring organisation to inspect the level of noise produced during our operation on an annual basis.	Environmental Noise Emission Standard for Industrial Enterprises (GB12348-2008) (《工業企業廠界環境噪聲排放標準》GB12348-2008)

During the Track Record Period, we actively monitored our resource consumption for our manufacturing function. We adhere to the concept of green management and actively seek low-carbon sustainable development in our operations. We plan to further improve our resource consumption management system to promote efficient energy management and reduce the carbon footprint in our operations. We will closely monitor relevant industry developments and make management improvements in accordance with changes in market condition or industry standards when appropriate.

We are committed to enhancing and improving technology and services to fulfil our social responsibilities to both the community and environment. In delivering our products, we strive to ensure that all products and services are delivered with high quality and in an environmentally responsible manner.

We believe that our businesses are in compliance with the applicable national, local and foreign environmental laws and regulations in all material aspects. As of the Latest Practicable Date, we are not aware of any material penalties associated with the breach of any existing environmental law or regulation.

During the Track Record Period, we have incurred approximately RMB0.2 million, RMB0.3 million and RMB0.2 million for the years ended 31 December 2021, 2022 and 2023, respectively, mainly contributing to the disposal of hazardous waste, environmental testing, purchase of environmental protection equipment and repair, maintenance, upgrading and modification of environmental protection equipment for compliance with the applicable environmental protection laws and regulations.

Governance on environmental-related risks and social responsibilities, including the respective roles and extent of involvement of our Directors and senior management of our Group

Our Group acknowledges its responsibility on environmental protection and social responsibilities and is committed to comply with the ESG reporting requirements upon Listing. We will establish an ESG policy (the "**ESG Policy**") which outlined, among others,

(i) the appropriate risk governance on ESG matters;

(ii) ESG strategy formation procedures;

(iii) ESG risk management and monitoring; and

(iv) the identification of key performance indicators ("**KPIs**") and the relevant measurements.

Our Group's ESG Policy will be established in accordance with the standards of Appendix C2 to the Listing Rules.

Our Board will have the overall responsibility for evaluating and determining our Group's ESG-related risks, and establishing, adopting and reviewing the ESG vision, policy and target of our Group. Certain senior management of our Group are designed to support our Board in establishing a special ESG project team to implement the ESG Policy and collecting ESG data from different parties while preparing for the ESG report. It serves as a supportive role and has to report to our Board regularly and to oversee and monitor in implementing measures to address our Group's ESG-related risks and responsibilities.

We also intend to invest in social-related aspects, including compliance with employment-related laws and regulations, employees' health and safety, employee development and training, anti-corruption and community investment.

Measures and Strategies in Addressing ESG-Related Risk

We intend to adopt various strategies and measures to identify, assess and manage environmental-related risks, social-related risks, and climate-related issues, including but not limited to:

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis;

- formulating ESG-related internal control processes, with special ESG project team to perform oversight, management and improvement;

- discussing among management periodically to ensure all the material ESG areas are recognised and reported;

- discussing with key stakeholders on an ongoing basis on key ESG principles and practices as well as their concerns and expectations to ensure that the significant aspects are covered;

- setting targets for each major ESG KPI with reference to guidance on ESG released by the Stock Exchange, including emission, pollution and other impact on the environment aiming at reducing emissions and natural resource consumption and evaluate the ESG results annually;

- assessing the risk of sanctions on the customers and suppliers when exploring overseas markets and avoiding the impact of policies on our operation; and

- adopting incentive policies for the management in relation to ESG matters, including but not limited to achievement of the announced ESG targets.

Our Group has also adopted and implemented health and safety measures and procedures to protect our employees from bodily harm and other health and safety risks.

Mitigation Steps

To mitigate the potential impact resulting from environmental-related risk, social-related risk and climate-related risks, our Group has formulated the Waste Water and Liquid Discharge Control Procedures (廢水、廢液排放控制程序), the Noise Pollution Prevention and Control Procedures (噪聲污染防治控制程序), the Solid Waste Management Procedures (固體廢物管理程序), Environmental and Occupational Health and Safety Control Procedures for Renewal, Renovation and the Expansion Projects (新、改、擴建項目環境和職業健康安全控制程序) and the Energy Material Management Control Procedures (能源材料管理控制程序) to regulate our measures of environmental management and energy utilisation in our operation. In addition, our Group also has formulated an Safety Production Accident Emergency Rescue Plan (安全生產事故應急救援預案) which covers the immediate actions to be carried out during an emergency incident, including leakage of exhaust gas, emergency caused by human or irresistible natural factors. The procedures aim to improve the emergency response system for environmental pollution, enhance the prevention and early warning mechanism, and build capacity of staff in handling environmental emergency situations. The procedures also set out the guidelines that should be adopted during emergency situations, which include extreme climate events that constitute hazards and dangers to our Group's property. A special environment and energy use team lead by Mr. Qu, the vice general manager of our Company, has set up to implement and monitor the relevant work in order to minimise the adverse impact of unforeseen circumstances on our operations.

Metrics and Targets

Our Board will set metrics and targets for material KPIs at the beginning of each financial year with reference to the disclosure requirements of Appendix C2 to the Listing Rules. Set forth below an analysis of our environmental protection performance for the years indicated and some key metrics and targets for the material KPIs we have currently identified:

(i) in relation to use of energy and resources, the key metrics mainly include direct energy (diesel consumed), indirect energy (electricity consumed) and water consumed. Our Directors confirmed that, during the Track Record Period, the wage of diesel for our operation was minimal.

The following table sets forth the an analysis of our energy and resources consumption for the years indicated:

		Year ended 31 December		
Type of energy/resources	**Unit**	**2021**	**2022**	**2023**
Electricity				
Total consumption amount	kWh'000	2,109	2,115	2,212
Intensity of electricity consumption	kWh per RMB'thousand of revenue	8.5	5.0	4.1
Water				
Total consumption amount	litre'000	15,865	23,651	20,541
Intensity of water consumption	litre per RMB'thousand of revenue	64.0	56.4	37.8

Note:

(1) There are no permitted levels for the use of electricity and water. The government implemented segmented power electricity prices and fixed water prices over the industrial enterprises.

We strive to continue to reduce our energy and resources consumption. We have implemented the following measures to conserve electricity and water, including: (a) adjusting the temperature of office air-conditioning according to real-time weather; (b) encouraging the staff to leave curtains open to make full use of natural light and reduce the use of electricity; (c) reminding the staff to completely switch off computers and electronic devices after office hours or when they are not in use; and (d) conducting maintenance of pipelines and taps and inspecting any possible water leakage in our office facilities. We will implement the following electricity and water consumption targets (taking into account of the expected increase of number of employees and consumption in line with our business expansion) for the year ending 31 December 2024, 2025 and 2026:

Type of energy/resources	Unit	Annual performance target set by our Group for the year ending 31 December		
		2024	**2025**	**2026**
Electricity				
Intensity of electricity consumption	kWh per RMB' thousand of revenue	3.61	3.54	3.47
Water				
Intensity of water consumption	litre per RMB' thousand of revenue	37.0	34.8	34.1

Note:

(1) The estimation is taken into account of the full year operation of our new leased production facility in Taizhou city and our New Production Facility in Luoyang city upon completion.

We intend to continue to reduce the level of our electricity and water usage per employee in the future, primarily through raising electricity and water conservation awareness among our employees and fostering a conservation culture within our Group through a variety of training programs and related events. We expect that this can also indirectly reduce our average greenhouse gases emission per employee.

(ii) The following table sets forth an analysis of our greenhouse gas emissions for the years indicated:

		Year ended 31 December		
		2021	2022	2023
		(tonnes of carbon dioxide equivalent)		
Scope 1 (direct greenhouse gas emissions)	Combustion of diesel[(1)]	N/A	N/A	N/A
Scope 2 (indirect greenhouse gas emissions)	Purchased electricity[(2)]	1,202.8	1,206.2	1,261.5
Intensity of greenhouse gas emissions (per million RMB revenue)		4.8	2.9	2.3

Notes:

(1) The usage of diesel was minimal during the Track Record Period which the greenhouse gas emissions was also minimal.

(2) Combined margin emission factor of 0.5703 tCO2/MWh was used for purchased electricity in the PRC.

(3) As advised by our PRC Legal Adviser, as at the Latest Practicable Date, there have been no mandatory targets or emission standards stipulated by PRC laws and regulations. Instead, enterprises are encouraged to voluntarily reduce their greenhouse gas emissions.

Our Group will gradually increase the use of more environmentally friendly equipment and make continuous efforts in working towards the target of reducing the greenhouse gas emissions intensity by 1% by the year ending 31 December 2024, against the emission intensity of the baseline for the year ended 31 December 2023.

The greenhouse gas emissions data in the table above covers both Scope 1 and Scope 2 emissions resulting from our operations. According to the Greenhouse Gas Protocol, we have Scope 3 other indirect emissions in our value chain mainly arising from purchased goods and services, downstream/upstream transportation and distribution, business travel, and employee commuting. Carbon emissions may be emitted by our suppliers and service providers in our value chain that may not be environmental-friendly. To mitigate our indirect impact through third-party suppliers and service providers, we plan to strengthen our ESG practices and actively research the carbon footprint of our third-party suppliers and service providers and enlist environmental protection capability as one of our assessment elements when evaluating such suppliers and service providers to ensure that our suppliers and service providers are fully competent in carrying out sustainable operations and exerts continuous effort to minimise environmental impact.

We are aware of the significance of reducing our Scope 3 other indirect emissions. We plan to reduce Scope 3 other indirect emissions through the following key measures in our daily operation, among others: (i) to encourage employees to take lower carbon public transportation during their business travels; (ii) to require employees to turn off lights, machinery, equipment, and other electronic devices when the devices are not in operation and before they leave the premises; (iii) to implement the use of online system for internal administrative procedures to reduce the use of paper documents and avoid waste of paper by promoting printing on both sides; and (iv) to choose lower energy consumption transportation ways and use environmentally-friendly packaging materials for delivery during upstream and downstream transportation and distribution. By the end of 2024, we plan to complete the data collection for 2023, which will be used as our data baseline for the future. We plan to complete the data collection for 2024 in the first half of 2025. We also plan to gradually improve and monitor the Scope 3 other indirect emissions with the assistance of the ESG adviser in accordance with the Guidance on Climate Disclosures, and expand the disclosure of Scope 3 other indirect emissions over time.

(iii) in relation to noise and air pollutants emission, we dedicate to achieving the discharge of noise and air pollutants emission in full compliance with the applicable standards. The following table sets forth a breakdown of our average noise level during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Day	Night	Day	Night	Day	Night
	Emission (decibels)					
Production facility at Yanguang Road	54	44	54	42	53	43
Production facility at Jinxin Road	54	43	54	43	53	42

Note:

(1) According to the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) and Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》), due to our facilities' location in industrial areas, we adhere to the third type of standard, which stipulates a maximum noise level of 65 decibels during the day and 55 decibels at night.

The following table sets forth a breakdown of our air pollutant emissions during the years indicated:

	Year ended 31 December[(1)]			Discharge permitted level[(2)]
	2021	2022	2023	
	Emissions (mg/m^3)			
Air pollutants				
Non-methane hydrocarbon intensity	12.9	3.6	4.2	50.0
Benzene intensity	0.0707	0.0455	0.0458	1.0
Particulates intensity	4.6	4.8	3.8	120.0

Notes:

(1) The air pollutant emission analysis is conducted on an annual basis.

(2) The applicable standards were the Integrated Emission Standard for Air Pollutants (GB 16297–1996)《(大氣污染物綜合排放標準》) (GB16297-1996) and Emission Standard of Volatile Organic Compounds for Industrial Surface Coating (DB41/1951-2020) (《河南省工業塗裝工序揮發性有機物排放標準》DB41/1951-2020).

Our Group will make continuous efforts in working towards the target of maintaining the intensity of emitted items in air pollutants below the discharged permitted level.

(iv) The following table sets forth an analysis of quality of our wastewater for the years indicated:

For the year ended 31 December 2021:

Items of emission	**Chemical oxygen demand**	**Suspended solids**	**PH Value**	**Fluorides**
		(mg/L)		
Average density of our Group	26	8	7.3	7.12
Standard requirement[(3)]	500	400	6–9	20

For the year ended 31 December 2022:

Items of emission	**Chemical oxygen demand**	**Suspended solids**	**PH Value**	**Fluorides**
		(mg/L)		
Average density of our Group	32	15	7.3	0.89
Standard requirement[(3)]	500	400	6–9	20

For the year ended 31 December 2023:

Items of emission	**Chemical oxygen demand**	**Suspended solids**	**PH Value**	**Fluorides**
		(mg/L)		
Average density of our Group	205.0	119.0	6.6	0.78
Standard requirement[(3)]	500	400	6–9	20

Notes:

(1) According to the Categorised Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (《固定污染源排污許可分類管理名錄》), key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit. As at the Latest Practicable Date, our Company belong to Category 84 and 111 respectively the Categorised Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution and implements the key management. As advised by our PRC Legal Adviser, we have achieved the relevant pollutant discharge permits in accordance with the aforementioned PRC laws and regulations.

(2) The wastewater quality analysis is conducted on an annual basis.

(3) Regarding wastewater, our operations are regulated under the Integrated Wastewater Discharge Standard (GB 8978–1996) (《污水綜合排放標準》(GB8978–1996)). During the Track Record Period, we prepared an annual inspection report and submitted such data of wastewater quality to the relevant authorities. The average density of emitted items in the wastewater discharged by our Group is lower than the standard requirement.

(v) The following table set forth our discharge level of hazardous solid waste during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
Hazardous solid waste discharge level (tonnes)	3.1	2.7	2.3

The hazardous solid waste generated in our daily operations is stored in dedicated hazardous waste warehouses and we engaged qualified waste disposal enterprises to transfer and dispose of the hazardous solid waste and complete the corresponding procedures following the Management Measures for the Transfer of Hazardous Wastes《(危險廢物轉移聯單管理辦法》) once or twice per year. We have registered with the National Solid Waste Management Information System and submitted environment monitoring data to the system annually and during the Track Record Period, all of our submissions have been reviewed and approved.

Our Group strictly follows the waste emission requirements and treatment regulations and has formulated relevant policies to carry out standard collection and treatment of hazardous and non-hazardous waste generated by our operations. Our Group will make continuous efforts in working towards the target of maintaining the average density of emitted items in our wastewater below the standard requirement. Regarding the discharge of hazardous solid waste, we will continue to work with qualified third-party waste disposal enterprises to appropriately dispose of our hazardous solid waste and achieve a reduced environmental impact.

(vi) save for the abovementioned targets, we target to maintain zero environmental pollution accidents for our overall environmental matters.

The metrics and targets used to assess social-related risks mainly include employee gender structure, employee turnover rate, employee age distribution, frequency of employee training, and completion of learning hours.

We will continue to progressively retrofit and upgrade our equipment in accordance with the ESG policy, and promote new water-saving technologies and water-saving equipment and appliances to minimise water and energy consumption and greenhouse gas emissions.

We will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

Governance on ESG Matters

Our Board has the overall responsibility for overseeing and determining the environmental-related, climate-related and social-related risks and opportunities impacting us. We will establish an ESG committee (the "**ESG Committee**") at our Board level after the Listing to support our Board in establishing and adopting the ESG policy, strategies and targets of our Group, and reviewing our performance against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified. Our management team is generally responsible for carrying out the ESG policies in executing our business operations.

ESG Committee will evaluate the likelihood of occurrence and the estimated magnitude of the resulting impact over short-, medium- and long-term horizons. The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as business location, cost-benefit analysis and change in regulatory landscape. In addition, the ESG Committee will also be responsible for the identification, assessment and management of material ESG-related matters, including climate-related risks, by taking into consideration the metrics and targets stipulated in Appendix C2 to the Listing Rules and applicable laws, regulations and industry standards. We will incorporate physical and transition risk analysis into risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. We have been and will continue taking mitigating steps to address the ESG-related risks, including establishing and monitoring various metrics and targets to advance our ESG goals.

In the future, ESG Committee will also be responsible for assessing and managing environmental and climate-related opportunities in terms of: (i) in order to improve production efficiency and save costs, and achieve carbon neutrality, our policy was set to purchase energy-efficient production equipment or carry out energy-saving renovation projects so as to limit or reduce emissions and production costs; and (ii) our Directors believe that giving priority to low-carbon manufacturing and producing green and low-carbon products over competitors can develop a carbon emission advantage, which is conducive to the development of customers and the increase of product share in regional markets with higher carbon emission requirements.

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

There has been an outbreak of COVID-19, since January 2020 across the PRC and around the world. Such outbreak of epidemic has endangered the health of many people residing in the PRC and around the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, government authorities in the PRC and other countries have imposed various controls and restrictions, including travel restrictions and quarantine for travellers from affected regions, stay home orders, lock down measures, and shutting down certain business operations temporarily.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our operations had not experienced any material impact due to the COVID-19 pandemic.

Employees

In accordance with Luoyang New High Technology Zone COVID-19 Prevention Directive (洛陽高新區新型冠狀病毒感染的肺炎疫情防控指揮部), our Company submitted the application of the work and production resumption on 9 February 2022. Accordingly, we have been granted permission to resume production and work on 12 February 2022. We had not laid off any employees or cut off employees' salaries due to COVID-19. Since the ease of COVID-19 restrictions in December 2022, there had been a rapid progression of the COVID-19 infections in China. Consequently, we experienced an increased number of COVID-19 related sick leaves from our employees in late 2022; however, as these sick leaves were staggered, we continued to maintain normal business operations.

Customers and suppliers

We mainly supply our products to PRC customers during the Track Record Period. Despite the temporary suspension of production, we had not experienced any cancellation and/or suspension of our sales contracts or suspension and/or termination of business cooperation due to the COVID-19.

Our suppliers primarily include materials and components suppliers and service suppliers for outsourcing services located in the PRC. The lockdowns and temporary suspension of operations in certain affected regions during the first half of 2022 have caused uncertainty and disruption to our domestic supply chain and posed logistical challenges with inter-provincial transport being affected. However, our Directors considered that such impact on our supply chain was relatively minimal because it was a relatively short period of suspension of our suppliers' operation.

Moreover, we have mitigated such adverse effect by adopting more advance planning, such as ascertaining the COVID-19 related measures of the relevant cities, closely monitoring the situation through negotiation and cooperation with our major suppliers to ensure overall production progress and delivery of products; and continuously identifying high-quality suppliers that may reduce our risk exposure to supply of materials and components and long-distance transportation. Due to our timely and effective responses and the PRC authorities' effective control of the COVID-19, the impact of COVID-19 on the supply of materials and components for our production and supply of services has been limited. Therefore, we did not experience significant shortage of inventories or delay in the delivery of supplies which materially adversely affected our operation due to COVID-19.

Our production activities

The impact of COVID-19 on our production activities in Luoyang city was minimal. Due to the Notice, our production bases were closed during the extended Chinese New Year holiday. However, we closely observed the guidelines issued by Luoyang New High Technology Zone COVID-19 Prevention Directive and applied the resumption on 9 February 2020. As such, we were permitted to resume production from 12 February 2020 onwards. With the gradual resumption of local logistics by mid-February 2020, the outbreak of COVID-19 has minimal impact on the delivery of our products. None of our contracts have been significantly delayed as a result of the temporary suspension of local logistics due to COVID-19.

Our sales and marketing activities

Since February 2020 and up to the Latest Practicable Date, to the best knowledge of our Directors, we are not aware of any potential contracts that we have submitted tender or quotation is being aborted as a result of the outbreak of COVID-19. As a result of the travel restrictions and stay home policies as well as recommendation to minimise social activities to reduce transmission of COVID-19, since February 2020, we had reduced the amount of face-to-face marketing activities and site visits in the PRC. Instead, we conducted marketing activities through alternative means such as phone calls, text messages and video conferences. With the steady and effective control measures imposed by the PRC authorities, our sales and marketing activities have gradually resumed.

Impact of COVID-19 on our financial performance

Given the limited impact of COVID-19 on our production and sales, our business and financial conditions have not been materially adversely affected as a result of the COVID-19. With the rapid resumption of sales and production since February 2020, the impact on our financial performance for the year of 2020 as a whole was not significant. Nonetheless, when and whether COVID-19 could be successfully contained remains uncertain. We cannot guarantee that the outbreak of COVID-19 will not further escalate, which in turn may have a material adverse effect on our business operations. For more information, see "Risk Factors — Risk Relating to Our Business and Our Industry — The outbreak of COVID-19 and the uncertainty of the global economic conditions could have a material adverse impact on our financial condition and results of operations" in this prospectus.

Our contingency plan

As one of the major petroleum refinery and petrochemical equipment manufacturers in the PRC, we will take prudent steps to ensure the business continuity of our Company despite the ongoing health and financial crises. We will also continue to work closely with our customers and suppliers to ensure that the impact of any unforeseen incidents or change in circumstances is minimised to its fullest extent and implement our business contingency plans. In light of the foregoing, our Company has implemented several business contingency plans to help us manage the outbreak of COVID-19 and reduce the possibility of any project suspensions and/or cancellations or supply chain disruptions due to COVID-19, which include the following:

- offering remote testing and inspection for customers to inspect the finished equipment without physically attending to our testing centre;

- ensuring adequate back up facilities, mobile computing/communication devices and network bandwidth for remote working arrangements; and

We have also implemented stringent measures to prevent the spread of COVID-19 in our work places from time to time. These measures include:

- measuring and recording the temperature of employees twice a day, to ensure no employee with COVID-19 symptoms enter our offices and working areas;

- requiring employees to wear sanitary masks when taking public transports;

- requiring all vehicles entering our production bases and offices to be sterilised at the entrance gate;

- keeping all conference rooms and offices well ventilated;

- installing disinfecting products including sanitiser and alcohol disinfectant in working areas to enhance personal hygiene; and

- conducting regular cleaning and disinfecting arrangements in working areas.

INTERNAL CONTROLS

In preparation for the Listing, we have engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform an evaluation of our Group's internal control system. Based on its review, the Internal Control Consultant has identified certain internal control matters and we have adopted corresponding internal control measures or taken reasonable steps to address these matters. Our Directors are of the view that the enhanced internal control measures adopted by our Company are adequate and effective for the purpose of Listing Rules, and consider that the non-compliance incidents, see "Business — Regulatory Compliance" in this prospectus, do not have any material impact on: (i) the suitability of our Directors under the Listing Rules; and (ii) our suitability for listing under the Listing Rules.

INSURANCE

We have maintained various types of insurance in accordance with the applicable PRC laws and regulations, such as, (i) comprehensive safe production and employees' occupational safety for industrial gas user insurance to insure against operational hazards, (ii) third-party liability insurance in relation to fixed assets and vehicles to insure against the potential damages and loss caused by workplace accidents or work-related incidents, (iii) pension insurance, (iv) medical insurance, (v) unemployment insurance, (vi) injury insurance and (vii) maternity insurance. For each year during the Track Record Period, our Group paid approximately RMB52,000, RMB41,000 and RMB65,000, respectively, as insurance premium payment for insurance policies (excluding social insurance and housing provident fund contributions). Such insurance coverage is generally in line with the industry norm. Accordingly, our Directors' are of the view that our current insurance coverage is sufficient for our current operations and is in line with the industry norm.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 423 employees. The following table presents a breakdown of our employees by function as of the Latest Practicable Date:

Functions	As of the Latest Practicable Date
Management	10
Production	189
Sales and marketing	48
Research and development	85
Quality control	23
Finance, human resources and administration	68
Total	423

As of the Latest Practicable Date, 35 of our employees held master's degree, 186 of our employees finished undergraduate studies and 57 of our employees held college qualification.

As of the Latest Practicable Date, our employees included approximately eight senior engineers, 58 engineers and 10 assistant engineers.

In accordance with the relevant requirements of local governments in the PRC where we operate, we make contributions to pension and purchase medical insurance, unemployment insurance, maternity insurance and injury insurance for our employees. The amount of our contributions is based on the specified percentages of our employees' aggregate salaries as required under the PRC laws and regulations. We also make contributions to the employee housing fund according to the applicable PRC regulations.

For the years ended 31 December 2021, 2022 and 2023, our total staff costs (including salaries, allowance and benefits and retirement benefit scheme contribution) amounted to approximately RMB38.7 million, RMB53.7 million and RMB71.6 million, respectively.

We will establish a labour union. We have established a mediation committee for labour disputes to protect our employees' rights and encourage employees to participate in our management. We believe we maintain a good working relationship with our employees, and we have not experienced any material labour dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

Our recruitment is applied according to our Company's annual personnel requirements or temporary recruitment requirements. We use various methods for our recruitment, including online recruitment and through recruitment firms or agents, to satisfy our demand for different types of talents and select talents suitable for the positions based on an overall consideration of educational background, ability, and experience. We endeavour to provide training for our employees. We provide continuing education, safety training and technical training programs for our management staffs and technical staffs to enhance their skills and knowledge. We also offer management courses for our managers.

According to our employee handbook of our Group, we enter into an employment contract with our employees at his/her reporting. We also enter into confidentiality agreements and non-competition agreements with our key employees.

PROPERTIES

Our production facilities are located in Luoyang city, Henan province, the PRC. As at the Latest Practicable Date, we owned 13 land use rights of five parcels of city land in the PRC and 11 buildings or units in the PRC. All of the five parcels of land with an aggregate site area of approximately 128,876.1 sq.m. are in the PRC. We also leased in three properties in the PRC for our office and industrial use, among which, one property is an intra-group rental.

Owned land

Our production base is located at the New High Technology Development Zone, Luoyang city, Henan province, the PRC. Our self-owned industrial land is of a total GFA of approximately 128,876.1 sq.m., on which we own a number of properties for industrial and scientific research purposes.

Owned buildings

Details of our owned properties as of the Latest Practicable Date are set out as follows:

No.	Location	Approximate GFA *(Sq.m.)*	Use of property[(1)]
1.	Block 1, 8 Yanguang Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	2,935.8	Industrial use and scientific research
2.	Block 2, 8 Yanguang Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	8,714.9	Industrial use
3.	Block 3, 8 Yanguang Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	3,887.7	Industrial use
4.	Block 5, 8 Yanguang Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	10,413.7	Industrial use and scientific research
5.	Block 1, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	4,364.8	Industrial use
6.	Block 2, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	3,285.0	Industrial use
7.	Block 3, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	794.6	Industrial use
8.	Block 5, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	478.6	Industrial use
9.	Block 6, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	76.4	Industrial use
10.	Block 7, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	109.1	Industrial use

No.	Location	Approximate GFA *(Sq.m.)*	Use of property[(1)]
11.	Block 8, 1 Jinxin Road, New High Technology Development Zone, Jianxi District, Luoyang City, Henan Province	298.8	Industrial use

Note:

(1) The categories of use of property are based on real estate title certificates.

Leased buildings

As of the Latest Practicable Date, we, as the landlord, leased out the following properties for office and/or industrial purposes and all of these properties are solely owned by Luoyang Ruichang:

No.	Location	Tenant	Area *(Sq.m.)*	Lease term	Use of property
1.	Building 1, No. 8, Yanguang Road, New High Technology Development Zone, Jianxi District	Henan Zhongchuang Finance and Taxation Service Centre (Limited Partnership) 河南眾創財稅服務中心(有限合夥)	40	1 November 2023–31 December 2024	Office
2.	East side of Jinxin Road, New High Technology Development Zone, Luoyang	Honeywell Integrated Technology (China) Co., Ltd. — Luoyang Branch (霍尼韋爾綜合科技(中國)有限公司洛陽分公司)	17,920	15 April 2015–14 April 2025	Industrial use
3.	Intersection of Luoyi Road and Lingbo West Road, New High Technology Development Zone, Luoyang	Luoyang Richen	300	1 January 2024–31 December 2025	Industrial use

As of the Latest Practicable Date, we have leased in three properties in the PRC for office and industrial use, among which one property is an intra-group rental. As of the Latest Practicable Date, two of them have not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect the validity and enforceability. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our operations and financial condition. However, we may be ordered by the relevant government authorities to register the unregistered lease agreements within a prescribed period, failing which we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement. As of the Latest Practicable Date, we had not been subject to any administrative penalties enforcement actions by any relevant competent authorities as a result of our failure to file the lease agreements described above, nor had we received any rectification notice from any relevant PRC government authorities regarding lease registrations.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations.

REGULATORY COMPLIANCE

Our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, we complied in all material respects with the relevant PRC laws and regulations relating to our business operation and we obtained licences, approvals and permits from the appropriate regulatory authorities that are material for our business operations in the PRC. In the opinion of our respective overseas legal counsels, we have complied in all material respects with the applicable local laws and regulations of the overseas jurisdictions in which we operate, and we have obtained licences, approvals and permits from the appropriate regulatory authorities that are material for our operations.

During the Track Record Period and up to the Latest Practicable Date, we had been involved in certain non-compliance incident, details of which are set out below. Such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial condition and/or our operations. Save as disclosed, our Directors, based on the legal opinions issued by our PRC Legal Advisers and our respective overseas legal counsels, confirm that we have been in compliance in all material respects with the applicable PRC laws and regulations relating to our business operations during the Track Record Period and up to the Latest Practicable Date.

Details of non-compliance incident	Reasons	Possible legal consequences and impact	Remedial measures and internal control measures
For each year during the Track Record Period, Luoyang Ruichang and Luoyang Richen failed to make full contributions to the social insurance and housing provident fund contributions for employees as required under the relevant PRC laws and regulations.	The non-compliance incident was mainly due to (i) insufficient understanding of the relevant PRC laws and regulations of our responsible handling staff; and (ii) absence of professional advice for our staff at the material time.	Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears. Pursuant to the Regulations on the Management of Housing Funds (住房公積金管理條例), where, in violation of the provisions of these Regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement. We have obtained the confirmations from the local social insurance and housing provident fund authorities confirming (i) we have made social insurance and housing provident fund contributions of our employees in accordance with the requirements of relevant PRC policies; and (ii) Luoyang Ruichang and Luoyang Richen did not have record of arrears of social insurance and housing provident fund contributions. Our PRC Legal Advisers have confirmed that the local social insurance authority and housing provident fund authority are the competent authorities issuing the above written confirmations. As at the Latest Practicable Date, we (i) have not received any orders from the relevant PRC authorities requesting the payment of outstanding social insurance and housing provident fund contributions and corresponding late payment fees; (ii) have not been penalised under the relevant PRC laws and regulations related to social insurance and housing provident fund contributions; and (iii) we were also not aware of any employees' complaints or demands for payment of social insurance or housing provident fund contributions. As advised by our PRC Legal Advisers, pursuant to the relevant PRC laws and regulations as well as the abovementioned facts, the probability of our Group being subjected to penalties by the relevant authorities for such non-compliant behaviour is low and such non-compliance will not have any material impact on our operations and financial conditions.	We have made full provisions for the underpaid amount of our social insurance and housing provident funds contributions in the amount of approximately RMB3.3 million, RMB3.2 million and RMB2.7 million, respectively, for the years ended 31 December 2021, 2022 and 2023. Our Directors are of the view that, the provisions are sufficient to cover the potential payment in relation to the non-compliance and confirm that we had made full contributions to the social insurance and housing provident fund for employees according to the relevant PRC laws and regulations since June 2023. Our Directors believe that the non-compliance has not caused or will not cause any material and adverse financial or operational impact on us as our internal policy and guidelines have been revised to include (i) calculation of social insurance and housing provident fund contribution matters; (ii) our human resources department and finance department will review the calculation of the relevant contributions, and keep proper records of any contributions paid; and (iii) internal review and approval by our general manager of the calculation of the relevant contributions. Our internal control consultant has reviewed the above-mentioned internal control measures and did not note any material deficiencies. In addition, we have designated our financial director to carry out procedures of review to ensure the register of payment record is properly updated and that all payments of contributions to social insurance and housing provident fund are made on a timely basis.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited), held approximately 45.27% and 45.27% shareholdings of our Company, respectively. As such, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited) will each be entitled to exercise voting rights of approximately 33.95% of the total issued share capital of our Company upon completion the Capitalisation Issue and of the Global Offering (assuming the Over-allotment Option is not exercised) and are considered as our Controlling Shareholders upon Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has confirmed that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after the Listing.

Management Independence

Our Board comprises five executive Directors and three independent non-executive Directors. Mr. Lu Bo and Ms. Lu Xiaojing are our executive Directors. Our Directors believe that our Board and senior management will function independently from our Controlling Shareholders for the following reasons:

1. each Director is aware of their fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between their duties as a Director and his/her personal interest;

2. in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates (including the spouse of a Director), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

3. our Board comprises of three independent non-executive Directors who have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions; and

4. other than our Controlling Shareholders themselves, our senior management members, are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Director are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after Listing, we have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licences and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates after Listing.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders from a financial perspective. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

During the Track Record Period, our Controlling Shareholders have provided personal guarantees to certain banks and financial institutions in order to secure certain bank loans for our Group. For details of these guarantees, please see note 33 to the Accountants' Report set out in Appendix I in this prospectus. As at the Latest Practicable Date, as confirmed by our Company and our Controlling Shareholders with the relevant banks, all personal guarantees provided by our Controlling Shareholders have been released or will be replaced with corporate guarantees given by either our Company or the subsidiaries of our Group upon Listing. All balances due to and from our Controlling Shareholders and their respective close associates will also be fully settled upon Listing. Thus, our Directors are of the view that we will be financially independent of our Controlling Shareholders and their respective close associates upon Listing.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the Listing.

NON-COMPETITION UNDERTAKING

Mr. Lu Bo and Ms. Lu Xiaojing provided non-competition undertakings in favour of us pursuant to the Non-Competition Undertaking, pursuant to which each of them irrevocably and unconditionally undertook not to, and to procure their respective close associate(s) (as appropriate) (other than our Group) not to, either directly or indirectly, compete with our business, which includes the manufacturing of petroleum refinery and petrochemical equipment ("**Restricted Activities**") and granted our Group the option for new business opportunities. They have further irrevocably undertaken in the non-competition undertaking that, unless the business opportunity is declined by the Group in accordance with the Non-Competition Undertaking and during the term of the Non-Competition Undertaking they will not, and will also procure their respective close associate(s) (as appropriate) (other than our Group) not to, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with the Restricted Activities (other than in compliance with the Non-Competition Undertaking).

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) as part of our preparation for the Global Offering, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his or her associates (including the spouse of a Director) have a material interest, unless attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of our independent non-executive Directors;

(c) we are committed that our Board should include in balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus;

(d) as required by the Listing Rules, our independent non-executive Directors shall review all connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interest of our Shareholders as a whole;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed First Shanghai Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders and their respective associates and to protect our minority Shareholders' interests after the Listing.

BOARD OF DIRECTORS

Our Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. Our Board is responsible for, and has general powers for, the management and conduct of our business.

The table below sets out certain information in respect of the members of the Board.

Name	Position	Age	Time of joining the Group	Date of appointment as Director	Role and responsibility	Relationship with other Directors and senior management
LU Bo (陸波)	Chairman and executive Director, chief executive officer	51	January 1994	6 February 2020 (re-designated as an executive Director on 15 March 2023)	Overall strategic planning, business direction and operational management	Sibling of LU Xiaojing (陸曉靜); spouse of BAI Wei (白薇)
LU Xiaojing (陸曉靜)	Executive Director, deputy chief executive officer	54	January 1994	6 February 2020 (re-designated as an executive Director on 15 March 2023)	Overall strategic planning, business direction and operational management	Sibling of LU Bo (陸波); spouse of SHAO Song (邵松)
BAI Wei (白薇) (former name BAI Wei (白瑋))	Executive Director, senior vice president (human resources)	51	February 2004	15 March 2023	Corporate administration, human resources	Spouse of LU Bo (陸波)
SHAO Song (邵松)	Executive Director. senior vice president	55	January 1994	15 March 2023	Sales, research and development	Spouse of LU Xiaojing (陸曉靜)
WU Rui (吳瑞)	Executive Director, vice president (administration)	57	March 2004	15 March 2023	Corporate administration	N/A
TU Shenwei (塗申偉)	Independent Non-executive Director	48	March 2023	15 March 2023 (effective on the Listing Date)	Supervising and providing independent judgment to our Board	N/A

Name	Position	Age	Time of joining the Group	Date of appointment as Director	Role and responsibility	Relationship with other Directors and senior management
ZHANG Shengjie (張晟杰)	Independent Non-executive Director	54	March 2023	15 March 2023 (effective on the Listing Date)	Supervising and providing independent judgment to the Board	N/A
BAU Siu Fung (鮑小豐)	Independent Non-executive Director	56	March 2023	15 March 2023 (effective on the Listing Date)	Supervising and providing independent judgment to the Board	N/A

The following sets forth the biographies of our Directors:

Executive Directors

Mr. LU Bo (陸波), aged 51, 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 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.

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 (陸曉靜), aged 54, 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 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.

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

Mr. SHAO Song (邵松), aged 55, 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 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 (吳瑞), 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. TU Shenwei (塗申偉), 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. ZHANG Shengjie (張晟杰), aged 54, 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.

Since October 1993, Mr. Zhang has been serving at various law firms, primarily responsible for providing legal services on PRC laws. Mr. Zhang served as a lawyer at Zhejiang New Century Law Office (浙江新世紀律師事務所, currently known as Zhejiang Changchuan Law Office (浙江長川律師事務所)), from November 1993 to April 2000. Mr. Zhang then served as a lawyer and a partner of Zhejiang Junan Century Law Office (浙江君安世紀律師事務所), from March 2001 to February 2013, primarily responsible for providing legal services on PRC laws and the general management of the firm. Mr. Zhang then served as a lawyer and a partner of AllBright Law Offices (Hangzhou) (上海錦天城(杭州)律師事務所) from February 2013 to March 2017. From April 2017 to March 2022, Mr. Zhang served as a lawyer and an equity partner of Zhong Lun Law Firm (Hangzhou) (北京中倫(杭州)律師事務所). Mr. Zhang has been serving as a senior equity lawyer of DeHeng Law Offices (Hangzhou) (北京德恒(杭州)律師事務所) since April 2022.

Mr. Zhang also has been serving as independent director at various listed companies, primarily responsible for providing independent advices to the boards. Mr. Zhang served as an independent director of Focused Photonics (Hangzhou), Inc. (聚光科技(杭州)股份有限公司), an environmental management solution company listed on the Shenzhen Stock Exchange (SHE: 300203), from May 2019 to May 2020. Mr. Zhang has been serving as an independent director of Pacific Shuanglin Bio-pharmacy Co., Ltd. (派斯雙林生物製藥股份有限公司), a pharmaceutical company listed on the Shenzhen Stock Exchange (SHE: 000403) since May 2018. Mr. Zhang has also served as an independent director of Guobang Pharma Ltd. (國邦醫藥集團股份有限公司, a pharmaceutical company listed on the Shanghai Stock Exchange (SHA: 605507) since October 2019.

Mr. Zhang first obtained his Lawyer's Licence from the Zhejiang Provincial Department of Justice (浙江省司法廳) in October 1993. Mr. Zhang obtained his qualification as a Second-Grade Lawyer (二級律師) from the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in November 2015. Mr. Zhang completed his independent directorship training from the Shenzhen Stock Exchange in November 2019. Mr. Zhang obtained his bachelor's degree in economics law from the Zhongnan Institute of Politics and Law (中南政法學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in July 1992. He obtained his master's degree in law from Southwest Politics and Law

University (西南政法大學) in the PRC in January 2009. Mr. Zhang obtained his executive MBA degree from the China Europe International Business School (中歐國際工商學院) in the PRC in August 2021.

Mr. BAU Siu Fung (鮑小豐), aged 56, 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) since June 2018.

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.

General

Certain of our directors were directors or supervisors of companies which were incorporated in Hong Kong and the PRC which were subsequently dissolved due to the reasons listed in the table below. Each of the relevant Director has confirmed that the companies were solvent and inactive at the time of their dissolution and that their dissolution was not a result of any fraudulence or misconduct on the Directors' part and that they have no outstanding liabilities or obligations arising from such dissolution.

Name of company (Place of incorporation)	Relevant Director	Nature of business immediately prior to dissolution	Date of dissolution
Shanghai Gangbo Mechanical and Electrical Equipment Co., Ltd. (上海鋼博機電設備有限公司) (PRC)	Lu Bo, Lu Xiaojing	No business was carried out	Dissolved on 13 September 2006
Hangzhou Simengyuan Culture and Art Planning Co., Ltd. (杭州思夢源文化藝術策劃有限公司) (PRC)	Zhang Shengjie	No business was carried out	Dissolved on 30 May 2007
Shanghai Deang Information Technology Co., Ltd. (上海德昂信息技術有限公司) (PRC)	Lu Bo, Lu Xiaojing	No business was carried out	Dissolved on 12 May 2010
FLAMING STONE INTERNATIONAL DEVELOPMENT LIMITED (菲力斯通國際發展有限公司) (Hong Kong)	Lu Bo, Lu Xiaojing, Shao Song	No business was carried out	Dissolved by deregistration on 28 March 2013
Ruichang (Luoyang) Petro-Chemical Equipment Engineering Technology Co., Ltd. (瑞昌(洛陽)石化設備工程技術有限公司) (PRC)	Lu Bo, Lu Xiaojing	No business was carried out	Dissolved on 23 May 2013
Shanghai Zhenghaoda Medical Technology Development Co., Ltd. (上海正昊達醫療科技發展有限公司) (PRC)	Lu Bo	No business was carried out	Dissolved on 10 November 2016
Shanghai Kunrui Industry and Trade Co., Ltd. (上海坤瑞工貿有限公司) (PRC)	Lu Xiaojing	No business was carried out	Revoked on 9 January 2017
Luoyang Flaming Stone Environmental Engineering Co., Ltd. (洛陽菲利斯通環境工程有限公司) (PRC)	Lu Bo, Shao Song	No business was carried out	Dissolved on 9 May 2018
Luoyang Ruichang Environmental Engineering Co., Ltd. Shanghai Branch (洛陽瑞昌環境工程有限公司上海分公司) (PRC)	Lu Bo	No business was carried out	Dissolved on 7 December 2018

Name of company (Place of incorporation)	Relevant Director	Nature of business immediately prior to dissolution	Date of dissolution
Shanghai Qimao Corporate Management Centre (Limited Partnership) (上海祁懋企業管理中心(有限合夥)) (PRC)	Lu Bo	No business was carried out	Dissolved on 27 November 2020
Champion Journey Global Developments Limited (致遠環球發展有限公司) (Hong Kong)	Lu Bo, Lu Xiaojing	No business was carried out	Dissolved by deregistration on 30 July 2021

Our Directors have confirmed that:

(1) save as disclosed in the section headed "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders" in Appendix V to this prospectus, none of our Directors has any existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation);

(2) save as disclosed in the section headed "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of interests" in Appendix V to this prospectus and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;

(3) save as disclosed above, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date;

(4) save as disclosed herein, other than being a Director of our Company, none of our Directors has any relationship with any other Directors, senior management of our Company or substantial shareholders of our Company or Controlling Shareholders; and

(5) none of our Directors completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

(1) there is no other matter with respect to the appointment of our Directors that need to be brought to the attention to the Shareholders as at the Latest Practicable Date; and

(2) there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Position	Age	Time of joining the Group	Date of appointment as Senior Management of the Group	Role and responsibility	Relationship with other Directors and senior management
LU Bo (陸波)	Chairman and executive Director, chief executive officer	51	January 1994	6 February 2020	Overall strategic planning, business direction and operational management	Sibling of LU Xiaojing (陸曉靜); spouse of BAI Wei (白薇)
LU Xiaojing (陸曉靜)	Executive Director, deputy chief executive officer	54	January 1994	6 February 2020	Overall strategic planning, business direction and operational management	Sibling of LU Bo (陸波); spouse of SHAO Song (邵松)
BAI Wei (白薇) (former name BAI Wei (白瑋))	Executive Director, senior vice president (human resources)	51	February 2004	15 March 2023	Corporate administration, human resources	Spouse of LU Bo (陸波)
SHAO Song (邵松)	Executive Director. senior vice president	55	January 1994	15 March 2023	Sales, research and development	Spouse of LU Xiaojing (陸曉靜)
WU Rui (吳瑞)	Executive Director, vice president (administration)	57	March 2004	15 March 2023	Corporate administration	N/A
ZHANG Xian (張顯)	Senior vice president	48	November 1994	15 March 2023	Management of sales/business department; responsible for the overall operation management of the SRU and VOCs Incineration Equipment Division	N/A
JIN Xuli (金旭立) (former name JIN Li (金力))	Senior vice president	46	June 2000	15 March 2023	Overall operation management of the Process Burners Division	N/A

Name	Position	Age	Time of joining the Group	Date of appointment as Senior Management of the Group	Role and responsibility	Relationship with other Directors and senior management
FU Cong (付聰)	Financial director and joint company secretary	35	April 2021	15 March 2023	Overall management and supervision of financial affairs	N/A

Mr. LU Bo (陸波), see "— Board of Directors — Executive Directors" for details.

Ms. LU Xiaojing (陸曉靜), see "— Board of Directors — Executive Directors" for details.

Ms. BAI Wei (白薇), see "— Board of Directors — Executive Directors" for details.

Mr. SHAO Song (邵松), see "— Board of Directors — Executive Directors" for details.

Ms. WU Rui (吳瑞), see "— Board of Directors — Executive Directors" for details.

Mr. ZHANG Xian (張顯), 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), 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), aged 35, 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.

General

Save as disclosed above, each of our senior management members has confirmed that:

(1) he/she does not hold and has not held any other positions in our Company and any other members of our Group as at the Latest Practicable Date;

(2) save as being a member of the Company's senior management, he/she does not have any other relationship with any Directors, substantial shareholders of our Company, our Controlling Shareholders or other members of senior management of our Group as at the Latest Practicable Date;

(3) save as disclosed above, he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

(4) save as disclosed above, he/she has not completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

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) was appointed as a joint company secretary of our Company in May 2021. Mr. Lee serves as the assistant vice president of the governance services 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.

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the Listing Date.

BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

Our Company has established an audit committee on 15 March 2023 (effective from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"). The audit committee consists of Mr. Tu Shenwei, Mr. Zhang Shengjie and Mr. Bau Siu Fung. Mr. Bau Siu Fung holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The chairman of the audit committee is Mr. Tu Shenwei. The primary duties of the audit committee are to assist our 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 our Board.

Remuneration Committee

Our Company has established a remuneration committee on 15 March 2023 (effective from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The remuneration committee consists of Mr. Tu Shenwei, Mr. Zhang Shengjie and Mr. Bau Siu Fung, with Mr. Tu Shenwei as the chairman. 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 our Board from time to time.

Nomination Committee

Our Company has established a nomination committee on 15 March 2023 (effective from the Listing Date) with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The nomination committee consists of Mr. Lu Bo, Mr. Tu Shenwei and Mr. Zhang Shengjie, with Mr. Lu Bo as the chairman. The primary functions 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.

CORPORATE GOVERNANCE

Code Provision A.2.1 of the Corporate Governance Code

Mr. Lu Bo is our chairman of the Board and the chief executive officer of our Company. Having served in our Company since its establishment, Mr. Lu Bo is in charge of overall strategic planning, business direction and operational management of our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board and our senior management, which comprises experienced and diverse individuals. Our Board currently comprises five executive Directors (including Mr. Lu Bo) and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the Listing.

Board Diversity

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, we seek 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 Board comprises eight members, including five executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including masters of business administration, law, economics and corporate management as well as qualification to practise in the legal, accounting and engineering field. Furthermore, the Board possesses members spanning a wide range of ages, from 46 years old to 57 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our board diversity policy, and the Board and the nomination committee of the Company will assess the Board composition regularly.

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we will maintain at least one female representation in our Board. Our Board currently comprises eight Directors, including three female Directors, which satisfies the target gender mix of our Board. We have taken and will continue to take steps to promote gender diversity and achieve gender balance of the Board after the Listing through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, we will actively identify female individuals suitably qualified to become our Board members and we aim to further increase the female representation in our Board. To further ensure gender diversity of our Board in a long run, our Group 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 our Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

Our nomination committee is responsible for reviewing the diversity of the Board. After Listing, our 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 we will disclose in our corporate governance report about the implementation of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration which was paid to our Directors for the years ended 31 December 2021, 2022 and 2023 were approximately RMB1.4 million, RMB1.4 million and RMB2.6 million, respectively.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (including both employees and Directors) for the years ended 31 December 2021, 2022 and 2023 were approximately RMB3.3 million, RMB3.3 million and RMB3.0 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived any emoluments.

Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 12 of the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Nature of interest[1]	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date[2]	Number of Shares held immediately following the completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised)	Approximately percentage of shareholding immediately after the completion of the completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised)[2]
One Ideal Limited[3]	Beneficial interest	50,000	43.78%	164,171,263	32.83%
Mr. Lu Bo[3]	Beneficiary of a trust	50,000	43.78%	164,171,263	32.83%
	Interest of controlled corporation	1,705	1.49%	5,598,240	1.12%
Lady Jing Limited[4]	Beneficial interest	50,000	43.78%	164,171,263	32.83%
Ms. Lu Xiaojing[4]	Beneficiary of a trust	50,000	43.78%	164,171,263	32.83%
	Interest of controlled corporation	1,705	1.49%	5,598,240	1.12%
Ms. Bai Wei[5]	Spousal interest	51,705	45.27%	169,769,503	33.95%
Mr. Shao Song[6]	Spousal interest	51,705	45.27%	169,769,503	33.95%

Notes:

1. All interests stated are long positions.

2. Assuming all Series A Preferred Shares are converted into Ordinary Shares.

3. 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.

4. 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.

5. Ms. Bai Wei is the spouse of Mr. Lu Bo.

6. Mr. Shao Song is the spouse of Ms. Lu Xiaojing.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised, and each Preferred Share will be automatically converted to one Share upon the Global Offering becoming unconditional), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid prior to and immediately following the completion of the Capitalisation Issue and the Global Offering:

Authorised share capital		**Aggregate par value** *(US$)*
5,000,000,000	Shares of par value of US$0.00001 each as of the Latest Practicable Date	50,000.00

Issued and to be issued, fully paid or credited as fully paid immediately upon completion of the Capitalisation Issue and the Global Offering

114,210	Shares in issue as at the date of this prospectus (assuming all preferred shares are converted into ordinary Shares on a 1:1 basis)	1.1421
374,885,790	Shares to be issued pursuant to the Capitalisation Issue	3,748.8579
125,000,000	Shares to be issued under the Global Offering assuming no exercise of the Over-allotment Option	1,250
500,000,000	Total	5,000

Assuming the Over-allotment Option is exercised in full, the issued share capital of the Company immediately follow the Global Offering will increase from 500,000,000 Shares to 518,750,000 Shares.

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above table does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any options granted under the Post IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all time thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon completion of the Capitalisation Issue and the Global Offering, namely ordinary shares, and each ranks pari passu with the other Shares. Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the section headed "Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law" in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (including any sale or transfer of treasury Shares), shall not exceed 20% of the total number of issued Shares immediately following the completion of the Capitalisation Issue and the Global Offering.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the Over-allotment Option.

This mandate to issue Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest; and

(iv) the general unconditional mandate as mentioned above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued (including any sale or transfer of treasury Shares) by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares (up to 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option).

For further details of this general mandate, please see the section headed "Appendix V — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of our Shareholders Passed on 24 June 2024".

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total number of issued Shares immediately following the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Repurchase of Our Shares".

This general mandate to repurchase Shares will remain in effect until:

(a) at the conclusion of our next annual general meeting; or

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed "Appendix V — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of our Shareholders Passed on 24 June 2024".

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased for an aggregate amount of approximately HK$57.8 million (the "**Cornerstone Placing**"). The final number of Offer Shares to be subscribed by the Cornerstone Investors are subject to the determination of final Offer Price and the exchange rate to be determined in accordance with the relevant Cornerstone Investment Agreements.

Assuming an Offer Price of HK$1.05, being the low-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 55,045,000 Offer Shares, representing (i) approximately 44.0% of the Shares offered pursuant to the Global Offering and approximately 11.0% of our total issued share capital immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (ii) approximately 38.3% of the Shares offered pursuant to the Global Offering and approximately 10.6% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$1.22, being the mid-point of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 47,375,000 Offer Shares, representing (i) approximately 37.9% of the Shares offered pursuant to the Global Offering and approximately 9.5% of our total issued share capital immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (ii) approximately 33.0% of the Shares offered pursuant to the Global Offering and approximately 9.1% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$1.39, being the high-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 41,580,000 Offer Shares, representing (i) approximately 33.3% of the Shares offered pursuant to the Global Offering and approximately 8.3% of our total issued share capital immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (ii) approximately 28.9% of the Shares offered pursuant to the Global Offering and approximately 8.0% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that the Cornerstone Placing will provide an impression of commitment, confidence and interests of the Cornerstone Investors in the business and prospect of our Group and will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through our business network or through introduction by our Controlling Shareholders.

To the best knowledge of our Company and after making reasonable enquiries, each of the Cornerstone Investors (i) is independent of our Group, our connected persons (as defined in the Listing Rules) and their respective associates, and is not a close associate of our Group and other existing

Shareholders of our Company; (ii) is not accustomed to taking instructions from our Company, our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders of our Company or other existing Shareholders of our Company or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; and (iii) is not financed by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders of our Company or other existing Shareholders of our Company or any of its subsidiaries or their respective close associates. In addition, to the best knowledge of our Company, save as disclosed in paragraph headed "Our Cornerstone Investors" in this section, each of the Cornerstone Investors is independent of the other Cornerstone Investors and each of the Cornerstone Investors makes independent investment decisions.

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements as compared with other public Shareholders. There are no side agreement/arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 under the Guide for New Listing Applicants published by the Stock Exchange.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. Each of the Cornerstone Investors have confirmed that (i) none of the Cornerstone Investors nor their respective shareholders are listed on any stock exchange; (ii) all necessary approvals have been obtained with respect to the Cornerstone Placing; and (iii) no specific approval from any stock exchange (if relevant) or its shareholders or other regulatory authority is required for the relevant Cornerstone Investment.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation" in this Prospectus. All Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules (providing that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders) cannot be satisfied, our Company and the Sponsor-OC have the rights to adjust the allocation of the number of Offer Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement under Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around 9 July 2024.

If there is over-allocation in the International Placing, there will be delay delivery of Offer Shares and the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by Cornerstone Investors under the Cornerstone Placing. Each of the Cornerstone Investor has agreed that our Company and the Sponsor-Overall Coordinator in their sole discretion may defer the delivery of all or any part of the Offer Shares it will subscribe to a date later than the Listing Date. There will be no deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors and all Cornerstone Investors have agreed to pay in full for the relevant Offer Shares that they have subscribed before dealings in our Company's Shares commence on the Stock Exchange. There will be no delayed delivery if there is no over-allocation in the International Placing. For details of the Over-allotment Option, please refer to the paragraph headed "Structure and Conditions of the Global Offering — The International Placing — Over-allotment Option" in this Prospectus.

OUR CORNERSTONE INVESTORS

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing:

Based on the Offer Price of HK$1.05 (being the low-end of the Offer Price range)

			Approximate % of total number of Offer Shares		Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor	Investment amount[1] *(in million)*	Number of Offer Shares (rounded down to nearest whole board lot of 2,500 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Huangshan City Investment	HK$30.0	28,570,000	22.9%	19.9%	5.7%	5.5%
Huangshan Chenghe Xinye	HK$20.0	19,047,500	15.2%	13.2%	3.8%	3.7%
Emsdom	USD1.0 (equivalent to approximately HK$7.8)	7,427,500	5.9%	5.2%	1.5%	1.4%
Total	HK$57.8	55,045,000	44.0%	38.3%	11.0%	10.6%

Based on the Offer Price of HK$1.22 (being the mid-point of the Offer Price range)

Cornerstone Investor	Investment amount[1] *(in million)*	Number of Offer Shares (rounded down to nearest whole board lot of 2,500 Shares)	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is exercised in full	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering: Assuming the Over-allotment Option is not exercised	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering: Assuming the Over-allotment Option is exercised in full
Huangshan City Investment	HK$30.0	24,590,000	19.7%	17.1%	4.9%	4.7%
Huangshan Chenghe Xinye	HK$20.0	16,392,500	13.1%	11.4%	3.3%	3.2%
Emsdom	USD1.0 (equivalent to approximately HK$7.8)	6,392,500	5.1%	4.5%	1.3%	1.2%
Total	HK$57.8	47,375,000	37.9%	33.0%	9.5%	9.1%

Based on the Offer Price of HK$1.39 (being the high-end of the Offer Price range)

Cornerstone Investor	Investment amount[1] *(in million)*	Number of Offer Shares (rounded down to nearest whole board lot of 2,500 Shares)	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is exercised in full	Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering: Assuming the Over-allotment Option is not exercised	Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering: Assuming the Over-allotment Option is exercised in full
Huangshan City Investment	HK$30.0	21,582,500	17.3%	15.0%	4.3%	4.2%
Huangshan Chenghe Xinye	HK$20.0	14,387,500	11.5%	10.0%	2.9%	2.8%
Emsdom	USD1.0 (equivalent to approximately HK$7.8)	5,610,000	4.5%	3.9%	1.1%	1.0%
Total	HK$57.8	41,580,000	33.3%	28.9%	8.3%	8.0%

Notes:

(1) Exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy.

(2) Calculated based on an exchange rate of USD1: HK$7.8 for illustrative purpose. The actual investment amount of the relevant Cornerstone Investors may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreements.

(3) All share numbers and amounts are for illustrative purposes only.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing:

1. Huangshan City Investment Private Equity Fund Management Co., Ltd. (黃山建投私募基金管理有限公司)

Huangshan City Investment Private Equity Fund Management Co., Ltd. (黃山建投私募基金管理有限公司) ("**Huangshan City Investment**") is a company incorporated in the PRC with limited liability on 10 November 2023. It is a wholly-owned subsidiary of Huangshan City Construction Investment Group Co., Ltd. (黃山市建設投資集團有限公司), which is in turn wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Huangshan City (黃山市人民政府國有資產監督管理委員會). Huangshan City Investment is an investment arm of Huangshan City Construction Investment Group Co., Ltd, who has invested in enterprises engaging in energy and property rental and management sectors.

2. Huangshan Chenghe Xinye Equity Investment Partnership (Limited Partnership) (黃山市誠合新業股權投資合夥企業(有限合夥))

Huangshan Chenghe Xinye Equity Investment Partnership (Limited Partnership) (黃山市誠合新業股權投資合夥企業(有限合夥)) ("**Huangshan Chenghe Xinye**") is a limited partnership established in the PRC on 5 December 2023. Huangshan Chenghe Xinye is held as to 1% by Zhejiang Chinahope Asset Management Co., Ltd. (浙江誠合資產管理有限公司) (being the general partner of Huangshan Chenghe Xinye) ("**Zhejiang Chinahope**") and 99% by Huangshan City Huizhou State-owned Investment Group Co., Ltd. (黃山市徽州國有投資集團有限公司), a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of the People's Government of Huizhou District, Huangshan City (黃山市徽州區人民政府國有資產監督管理委員會). Zhejiang Chinahope is a licensed fund manager in the PRC and its beneficial owner is Mr. Li Chuanchao.

Huangshan Chenghe Xinye is the investment arm of the Huangshan City Huizhou State-owned Investment Group Co., Ltd. and has made investments including in the automobile industrial and manufacturing sector. Huangshan City Huizhou State-owned Investment Group Co., Ltd. is in turn engaged in the operation of state-owned assets in the Huizhou area, as well as business development, financial investment and infrastructure projects in the Huizhou area.

3. Emsdom

Emsdom Limited ("**Emsdom**") is a company incorporated in the Republic of Seychelles in 2014. Emsdom is an investment holding company which is wholly-owned by Mr. Zhang Xinyu. My. Zhang Xinyu has over 10 years of experience in the petrochemical equipment and intelligent operation business. He is a director, deputy general manager and one of the joint beneficial owners of Shanghai Supezet Engineering Technology Corporation Limited (上海卓然工程技術股份有限公司) ("**Shanghai Supezet**"), a company listed on the Shanghai Stock Exchange (stock code: 688121) and principally engaged in provision of modular and design, manufacturing, installation and service solutions of large-scale refining and chemical equipment for customers in petrochemical, oil refining, natural gas chemical and other fields.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed among the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters in the Global Offering);

(iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors as well as other applicable consents (as the case may be), waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are (as of the date of the respective Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the "**Lock-up Period**") (i) dispose of, in any way, any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreements or any interest in any company or entity holding any such Offer Shares; (ii) allow themselves to undergo a change of control (as defined in the Takeovers Code) at the level of their ultimate beneficial owner pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in "Accountants' Report" in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a petroleum refinery and petrochemical equipment manufacturer based in Henan province, the PRC. We are principally engaged in the manufacturing and sale of petroleum refinery and petrochemical equipment. Our products are customised to meets customers' specification and requirements, on a contract basis in which are divided into four product categories, namely (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers, including their related parts and components, to our downstream customers in the PRC. Our Group was the third largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 7.6% in terms of revenue in 2023; we were also the second largest SRU and VOCs incineration equipment manufacturer in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 3.4% in terms of revenue in 2023. We also provide installation services for the equipment manufactured by us and/or ancillary facilities such as electrical erection work and mechanical erection work to our customers during the Track Record Period.

Our customers mainly comprised market participants in the petroleum refinery and petrochemical industries in the PRC, which can be further classified into owners of production facilities; third-party contractors; equipment manufacturers; and others. Established in 1994, we have forged and maintained strong and stable relationship with industry-renowned customers, which included subsidiaries and branches of the three largest petroleum refinery and petrochemical group in the PRC and one of the largest EPC contractors in the petroleum refinery and petrochemical operations in the PRC. The business relationship between our Group and our five largest customers during the Track Record Period has ranged from two to 29 years.

The following table sets out a breakdown of revenue by business activities for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing and sale of equipment						
SRU and VOCs incineration equipment	101,719	41.0	72,854	17.4	77,218	14.2
Catalytic cracking equipment	63,273	25.5	251,625	60.0	319,266	58.7
Process burners	29,971	12.1	45,046	10.8	114,264	21.0
Heat exchangers	50,832	20.5	45,767	10.9	33,381	6.1
Subtotal	245,795	99.1	415,292	99.1	544,129	100.0
Installation services	2,249	0.9	3,781	0.9	—	—
Total	248,044	100.0	419,073	100.0	544,129	100.0

During the Track Record Period, we mainly operated two production facilities in Luoyang city, Henan province, the PRC, with a total gross floor area of approximately 20,807.4 sq.m.. For the year ended 31 December 2023, the utilisation rate of each of our self-owned production facilities was approximately 100.9% and 70.1%, respectively. In order to capture the growing market demand for refinery and petrochemical equipment from overseas customers, we have leased a production facility with a gross floor area of 7,400 sq.m. in Taizhou city, Jiangsu province, the PRC on 1 June 2023, which our Directors consider we can enjoy convenient transportation advantage for a production facility near the coastal ports.

During the Track Record Period and up to the Latest Practicable Date, our principal market has been the PRC. Internationally, we have also established overseas presences in Hong Kong, Canada and Brazil with a view to expanding our market presence. During the Track Record Period, our revenue was substantially generated from contracts with customers located in the PRC.

For the years ended 31 December 2021, 2022 and 2023, our revenue was approximately RMB248.0 million, RMB419.1 million and RMB544.1 million, respectively. Our net profit for the same periods were approximately RMB13.2 million, RMB36.5 million and RMB55.2 million, respectively.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 February 2020. To rationalise the corporate structure in preparation of the Listing, our Group underwent the Reorganisation. For details, see "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus. Upon the completion of the Reorganisation on 26 May 2021, our Company has became the holding company of the companies now comprising our Group.

The historical financial information of our Group has been prepared as if the current group structure had been in existence throughout the Track Record Period. Our historical financial information has been prepared by our Directors in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. We have adopted all applicable new and revised HKFRSs that are effective during the Track Record Period.

The basis of preparation and presentation of our historical financial information is set out in note 2 of the Accountants' Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial position have been and will continue to be affected by the following key factors.

Demand for our petroleum refinery and petrochemical equipment in the PRC

During the Track Record Period, we manufacture and sell petroleum refinery and petrochemical equipment, which are customised according to customers' specification and requirements. Our revenue growth depends on levels of domestic petroleum refinery and petrochemical development in PRC. According to F&S report, the refining capacity of China has increased from 873.4 million tonnes in 2018 to 936.0 million tonnes in 2023, representing a CAGR of approximately 1.4%, and it is expected to reach one billion tonne a year by 2025. Ethylene production is one of the important symbols to measure the development level of petrochemical industry. Between 2018 and 2023, the production of ethylene in the PRC increased from 23.5 million tonnes to 46.8 million tonne for the same period, representing a CAGR of approximately 14.8%. In order to fulfil the accelerating demand of downstream industries in the future, the production capacity of ethylene is expected to have a further rise with a CAGR of around 9.9%, reaching approximately over 85 million tonnes by 2028, bringing about rising demand for corresponding equipment. In addition, the PRC government has issued several policies and regulations, that emphasised the transformation of quality and efficiency for the petrochemical industry and promoting the development of the petrochemical industry; and encouraged the replacement of outdated petrochemical equipment with advanced petrochemical equipment. Hence, the increasing refining capacity, the structural adjustment of refineries that promote the replacement of existing equipment and the rapid petrochemical industry has ensured the continuous demand for petroleum refinery and petrochemical equipment over the past few years. The market size of petroleum refinery and petrochemical equipment in China increased from RMB484.9 billion in 2018 to RMB715.1 billion in 2023, representing a CAGR of approximately 8.1%. The market is forecasted to grow at a CAGR of approximately 6.5% from 2023 to 2028, reaching RMB979.2 billion in 2028.

Prompted by the market growth, our revenue increased by approximately 69.0% from approximately RMB248.0 million for the year ended 31 December 2021 to approximately RMB419.1 million for the year ended 31 December 2022, and further increased by approximately 29.8% to approximately RMB544.1 million for the year ended 31 December 2023, representing a CAGR of 48.1% from 2021 to 2023. Nevertheless, if there is a decline in the market demand for our products, or if there is a slowdown in the market we operate in, the demand of our products may be curtailed and our growth, prospects and profitability may in turn be adversely affected.

Pricing of our products

Our products are broadly categorised into (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers, which have different ranges of profit margins, levels of demands and selling price. Our pricing strategy has historically affected and is expected to continue to affect our financial performance in the future. We generally price our products on a cost-plus basis, under which we take into account a variety of factors including cost of materials and components used, production costs, processing complexity, customers' specification, outsourcing service fees and expected profit margin. We generally secure our contracts directly with our customers through our sales referrals, tendering/quotations, or direct negotiation. We determine each order or contract price and negotiate with each related customer on a case-by-case basis. If we are unable to respond to the market demands and preferences, our results may be affected.

Cost of our materials and components used and direct labour

Cost of materials and components used and direct labour incurred for production are the main components of our cost of sales during the Track Record Period. Our cost of materials and components used accounted for approximately 76.5%, 81.4% and 82.1% of our cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively. We generally purchase materials and components, the majority of which are steel materials such as steel plates and steel pipe, and related components which are made of steel, from our suppliers in the PRC. According to the F&S report, steel prices can be affected by various factors, such as market supply and demand levels, fluctuations of its raw materials such as iron ore and coking coal, related government policies and our bargaining power over our steel materials suppliers. From 2016 to 2021, the price index of overall steel plates in the PRC has experienced an enormous fluctuation. In addition, we procure a variety of other materials and components which affect our operating results, such as fire resistant materials, glass materials and electrical parts, etc. Since the selling prices of our products are generally determined on a cost-plus basis, fluctuations in the purchase prices of steel materials or other materials and components will have a significant impact on our revenue levels. If there is a substantial increase in the purchase prices of steel materials or other materials and components and we are unable to pass on all or part of the increase in such cost to our customers, our profitability and financial performance may be materially and adversely affected. For further information, see "— Sensitivity analysis" in this section for the sensitivity analysis of the cost of materials and components of our products.

Our direct labour cost accounted for approximately 5.2%, 3.8% and 3.5% of our cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively. According to the F&S Report, average wages of urban employees in manufacturing industry in the PRC has increased from RMB59,470.0 in 2016 to RMB102,697 in 2023, representing a CAGR of 8.1% from 2016 to 2023. Our staff cost may increase in the future as a result of rising labour costs in the PRC and the expansion of our operations.

Research and development

Our Directors believe our research and development capabilities have been and will continue to be critical to our business and competitiveness. For further information, see "Business — Research and Development". To enhance our competitiveness, we have substantial investment in research and development. Our total research and development expense during the Track Record Period were approximately RMB18.7 million, RMB25.1 million and RMB38.0 million, respectively. We intend to continuously enhance our research and development capabilities and maintain our market presence in the industry by fully utilising our research and development facilities and resources. Our ability to develop new products, improve existing products and enhance our manufacturing processes will have a material effect on our production and sales volumes and, consequently, our business, results of operations, financial condition and profitability.

Preferential tax rates

Our wholly-owned subsidiaries, Luoyang Ruichang and Shanghai Ruiqieer have obtained the certificate of High Technology Enterprises and are currently entitled to a preferential income tax rate of 15% on its taxable income. The qualification of Luoyang Ruichang as a High Technology Enterprise is currently valid through November 2023 to November 2026. The qualification of Shanghai Ruiqieer as a High Technology Enterprise is currently valid through December 2021 to December 2024. Given that most of our revenue was and is expected to be generated by Luoyang Ruichang and Shanghai Ruiqieer during the Track Record Period and in foreseeable future, such entitlement to preferential tax rate will have a substantial impact on our Group's results of operations, given that the difference between the preferential tax rate 15% and non-preferential tax rate 25% is relatively significant. In the event that this preferential tax treatment is discontinued, Luoyang Ruichang and Shanghai Ruiqieer will be subject to a 25% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our profitability.

MATERIAL ACCOUNTING POLICY INFORMATION AND KEY ACCOUNTING ESTIMATES

We have identified certain accounting policies, that we believe are significant to the preparation of our consolidated financial information and the understanding of our results of operations and financial conditions. Some of the accounting policies require our management to make judgements and apply estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We review the estimates and underlying assumptions regularly as they may have a significant impact on our operational results as reported in our historical financial information or included elsewhere in this prospectus.

For further details regarding our material accounting policy information and key accounting estimates, see notes 4 and 5 in the Accountants' Report set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of the results of operations of our Group for the Track Record Period, as derived from the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	248,044	419,073	544,129
Cost of sales	(177,146)	(286,057)	(352,581)
Gross profit	70,898	133,016	191,548
Other income and gains, net	8,577	1,824	4,355
Selling expenses	(14,708)	(20,506)	(24,803)
Administrative expenses	(23,475)	(28,172)	(41,279)
Research and development expenses	(18,658)	(25,084)	(37,963)
Listing expenses	(5,076)	(9,367)	(12,632)
Reversal of impairment/(impairment losses) of financial assets and contract assets	3,373	(3,871)	(5,885)
Share of results of an associate	(1)	6	60
Finance costs	(3,287)	(3,746)	(5,921)
Profit before tax	17,643	44,100	67,480
Income tax expenses	(4,397)	(7,567)	(12,269)
Profit for the year	13,246	36,533	55,211
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income	—	(2,316)	(329)
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations	950	387	(217)
Total comprehensive income for the year	14,196	34,604	54,665
Profit/(loss) for the year attributable to:			
Owners of the Company	13,423	36,533	55,211
Non-controlling interests	(177)	—	—
	13,246	36,533	55,211

NON-HKFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented adjusted profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) as an additional financial measures which are not required by, or presented in accordance with HKFRS. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in understanding and evaluating our operating performance from period to period. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore, may not be comparable to similar measures presented by other companies.

The following table sets forth the adjusted profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) in each respective year during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	13,246	36,533	55,211
Add: Listing expenses [(1)]	5,076	9,367	12,632
Adjusted profit for the year (non-HKFRS measure)[(2)]	18,322	45,900	67,843
Adjusted net profit margin for the year (non-HKFRS measure)[(3)]	7.4%	11.0%	12.5%

Notes:

(1) Our Listing expenses are arising from activities relating to the Global Offering.

(2) We calculated the adjusted profit (non-HKFRS measure) for the year by adding back the Listing expenses to the profit for the year as presented in accordance with HKFRS.

(3) We calculated the adjusted net profit margin (non-HKFRS measure) by dividing adjusted net profit (non-HKFRS measure) for the year by revenue for the year and multiplied by 100%.

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our Group is a petroleum refinery and petrochemical equipment manufacturer based in Luoyang city, Henan province, the PRC, mainly offering (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers. During the Track Record Period, our customers mainly comprised market participants in the petroleum refinery and petrochemical industries in the PRC, which can be further classified into owners of production facilities; third-party contractors; equipment manufacturers; and others. Revenue is substantially recognised at a point in time when the goods are accepted by the customers after delivery to the customers' designated sites since only by that time our Group passes control of the equipment to our customers.

We principally provided the sale of equipment and the related parts and components and our equipment are highly customised to meet the requirements of our customers and every product differs in size, design plan, specifications and applications. Moreover, the manufacturing time for a piece of equipment depends on the size, manufacturing requirements, specification and complexity of a product, which vary on a case-by-case basis.

Customer demand for our equipment is the key driver of our Group's revenue during the Track Record Period. The sale of different products in each period depends on the product mix requested by our customers. As a result, our sales is dependent on our ability to continuously develop and satisfy customers' requirements and demand. In addition, our sales is also dependent on our selling price of products. We generally determine our pricing on a case-by-case basis by adopting a cost-plus pricing model, where we determine the price of our equipment by taking into account various factors such as the cost of materials and components, overhead, labour costs, transportation costs, technical requirement, customer relationships, competitive landscape, production schedule, contract sum and our business strategies adopted from time to time. Based on the F&S Report, the price of our equipment for sales was negotiated with consideration of same basis with other major petroleum refinery and petrochemical equipment companies in the PRC during the Track Record Period, and our Directors are therefore of the view that the price offered by our Group during the Track Record Period were in line with industry practice and were comparable with other major market players in the PRC.

Upon request, we also provide installation services for equipment manufactured by us and/or ancillary facilities such as electrical erection work and mechanical erection work, to our customers under manufacturing and sale of equipment during the Track Record Period. Our installation services is part and parcel of our manufacturing and sale of equipment as we provide installation services to our customers under our manufacturing and sale of equipment business. We shall outsource such services to third-party installation companies. Not all of our customer under manufacturing and sale of equipment require installation services from us. Upon receiving requests for installation services from our customers, we estimated the cost we shall incur and/or obtain price quotation from third-party installation companies and provide our quotation to our customers. Our Group recognises revenue from provision of installation services by reference to the stage of completion of the contract activity at the end of each reporting period.

The table below sets out the breakdown of revenue by business activities for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing and sale of equipment						
SRU and VOCs incineration equipment	101,719	41.0	72,854	17.4	77,218	14.2
Catalytic cracking equipment	63,273	25.5	251,625	60.0	319,266	58.7
Process burners	29,971	12.1	45,046	10.8	114,264	21.0
Heat exchangers	50,832	20.5	45,767	10.9	33,381	6.1
Subtotal	245,795	99.1	415,292	99.1	544,129	100.0
Installation services	2,249	0.9	3,781	0.9	—	—
Total	248,044	100.0	419,073	100.0	544,129	100.0

Our total revenue for the years ended 31 December 2021, 2022 and 2023 was approximately RMB248.0 million, RMB419.1 million and RMB544.1 million, respectively.

Manufacturing and sale of equipment

Overall analysis

During the Track Record Period, most of our revenue were derived from our manufacturing and sale of equipment, accounting for approximately 99.1%, 99.1% and 100.0%, of our total revenue, respectively. Our revenue from manufacturing and sale of equipment increased by approximately RMB169.5 million or 69.0% from approximately RMB245.8 million for the year ended 31 December 2021 to approximately RMB415.3 million for the year ended 31 December 2022.

Such increase was mainly due to the increase in revenue of sales of catalytic cracking equipment and process burners by approximately RMB188.3 million and RMB15.0 million, respectively, and partially offset by the decrease in revenue of sales of SRU and VOCs incineration equipment and heat exchangers by approximately RMB28.9 million and RMB135.1 million, respectively, during the year ended 31 December 2022.

Increase of sales of catalytic cracking equipment and process burners for the year ended 31 December 2022

The increase in sales of catalytic cracking equipment, which was in turn resulted from increase in revenue from Customer A, our largest customer for the years ended 31 December 2021 and 2022, for the sales of catalytic cracking equipment. Customer A is a renowned PRC and Hong Kong listed group established in 2000 and one of the leading and largest oil refining and petrochemical groups in the PRC. Our Directors believe that Customer A have a high demand for our equipment and it is consistent to their significant capital expenditures for their refinery segment business, mainly related to their constructions of Anqing and Yangzi refining upgrading projects. In particular, we have entered into several contracts with Anqing branch office and Yangzi branch office of Customer A for the sales of catalytic cracking equipment, with an aggregate contract sum of approximately RMB124.2 million and RMB134.3 million (inclusive of VAT), respectively. During the year ended 31 December 2022, total revenue from Anqing branch office and Yangzi branch office of Customer A generated from sales of catalytic cracking equipment was approximately RMB109.9 million and RMB76.8 million, respectively. See section headed "Business — Our Customers — Our five largest customers" for more details of background of Customer A.

The increase in sales of process burners by approximately RMB15.0 million for the year ended 31 December 2022 was mainly due to the increased demand from Yangzi branch office of Customer A due to the reasons mentioned above.

Decrease of sales of SRU and VOCs incineration equipment for the year ended 31 December 2022

Our decrease in revenue from sales of SRU and VOCs incineration equipment by approximately RMB28.9 million for the year ended 31 December 2022 was mainly attributable to the decrease in revenue from sales of SRU and VOCs incineration equipment to Anqing branch office of Customer A and Guizhou Jinze by approximately RMB17.5 million and RMB10.2 million, respectively, as majority of the SRU and VOCs incineration equipment contracts with relatively higher contract sum obtained from these two customers had been completed during the year ended 31 December 2021. Since the production and manufacturing procedures of SRU and VOCs incineration equipment and catalytic cracking equipment are within the same production facilities at Yanguang Road, we generally take into account the availability of our resources, capacity, the number and schedule of contracts we are undertaking when tendering or accepting new or potential contracts of different product categories. During the year ended 31 December 2022, as we had focused our effort and resources for our ongoing contracts in relation to catalytic cracking equipment, particularly, the large-sized contracts from Anqing branch office and Yangzi branch office of Customer A, we obtained less contacts for SRU and VOCs incineration equipment, resulting in the decline of relevant sales of SRU and VOCs incineration equipment during the year ended 31 December 2022. The revenue from sales of catalytic cracking equipment accounted for approximately 60.0% of our total revenue during the year ended 31 December 2022.

Decrease of sales of heat exchangers for the year ended 31 December 2022

Our decrease of revenue from sales of heat exchangers from approximately RMB50.8 million for the year ended 31 December 2021 to approximately RMB45.8 million for the year ended 31 December 2022 was mainly due to decrease in sales to Ningbo Zhongneng, our second largest customer for 2021, as most of sale contracts obtained from Ningbo Zhongneng has been completed in 2021. We recognised sales of heat exchangers from Ningbo Zhongneng of approximately RMB23.7 million in 2021 while we did not record significant sales from Ningbo Zhongneng in 2022.

Overall analysis

We recorded revenue from manufacturing and sale of equipment of approximately RMB544.1 million for the year ended 31 December 2023, representing a growth of approximately RMB128.8 million or 31.0% as compared to the same period in 2022. Such increase was mainly derived from the increase in revenue from sales of catalytic cracking equipment and process burners by approximately RMB67.6 million and RMB69.3 million, respectively, during the year ended 31 December 2023; and partially offset by the decrease of sales of heat exchangers by approximately RMB12.4 million during the same year.

Following to the facts stated above for the decrease of revenue from sales of SRU and VOCs incineration equipment during the year ended 31 December 2022, the proportion of revenue from sales of catalytic cracking equipment remained relatively stable, accounting for approximately 60.0% and 58.7% of our total revenue for the years ended 31 December 2022 and 2023, respectively; and the revenue from sales of SRU and VOCs incineration equipment accounted for approximately 14.2% of our total revenue for the year ended 31 December 2023.

Increase of sales of catalytic cracking equipment for the year ended 31 December 2023

Our increase in revenue from sales of catalytic cracking equipment for the year ended 31 December 2023 was mainly attributable to (i) increased demand and sale orders from Customer I, our fourth largest customer for 2023, for the construction of Shandong Yulong Island refining and chemical integration project. We have recorded revenue of approximately RMB39.9 million from Customer I from sales of catalytic cracking equipment during the year ended 31 December 2023; while we only recorded relevant revenue of approximately RMB5.6 million from Customer I for the year ended December 2022; (ii) increased revenue from Customer B for the sales of cracking catalytic equipment, which was mainly contributed by Urumqi branch of Customer B for the construction of an integration project of refining and chemicals. Revenue contributed by Customer B for sales of cracking catalytic equipment was approximately RMB11.1 million for year ended 31 December 2023; (iii) increased sale orders and revenue from Customer H, our third largest customer for 2023, mainly for the construction of Daxie petrochemical reconstruction and expansion project (phase V). Customer H is one of the largest group specialising in oil and natural gas exploration and production, and remains the dominant crude oil and natural gas producer in China. We recorded revenue from sales of catalytic cracking equipment to Customer H of approximately RMB45.5 million for the year ended 31 December 2023; and (iv) increased sale orders and revenue from Customer J, our fifth largest customer for 2023, for the construction of a coal chemical facility in Inner Mongolia with recorded revenue of approximately RMB42.2 million for the year ended 31 December 2023. Details of the above projects are disclosed in section headed "Industry Overview — Overview of Petroleum Refinery and Petrochemical Industry in China" to this prospectus.

At the same time, the above increase of revenue was partially offset by the overall decrease in revenue contributed by Customer A for sales of cracking catalytic equipment by approximately RMB44.0 million for the year ended 31 December 2023. Customer A is our Group's largest customer for each of the year ended 31 December 2021, 2022 and 2023 and our Directors considered the decrease of sales of catalytic cracking equipment to Customer A during the year ended 31 December 2023 was mainly due to the completion of certain significant sale contracts in 2022. For the year ended 31 December 2023, our sales to Customer A was mainly contributed from Yangzi branch office and Zhenhai subsidiary for the construction of Yangzi refining upgrading project and expansion of Zhenhai refining and chemical project, with aggregate revenue for sales of cracking catalytic equipment of approximately RMB141.0 million; while for the year ended 31 December 2022, majority of sales of cracking catalytic equipment was derived from Anqing branch office and Yangzi branch office of approximately RMB109.9 million and RMB76.8 million, respectively, and we have completed most of our sale contracts during the first half year of 2022. We did not enter into significant sale contracts with Anqing branch office for the year ended 31 December 2023, leading to a decrease of revenue from Anqing branch office for the relevant period.

Increase of sales of process burners for the year ended 31 December 2023

Our sales of process burners increased by approximately RMB69.3 million from approximately RMB45.0 million for the year ended 31 December 2022 to approximately RMB114.3 million for the year ended 31 December 2023, mainly due to (i) the completion of relevant sales to Customer G during the year ended 31 December 2023 with revenue of approximately RMB62.5 million recognised, accounting for approximately 54.7% of our revenue from sales of process burners in 2023. To the best knowledge of our Directors, our equipment supplied to Customer G is used for the construction of a chemical complex in Russia. Details of background of Customer G are disclosed in section headed "Business — Our Customers — Our five largest customers" in this prospectus; and (ii) increased demand and needs for our process burners which is consistent to the market growth of process burners used in petroleum refinery and petrochemical operation from approximately RMB835.2 million in 2022 to approximately RMB934.3 million in 2023.

Decrease of sales of heat exchangers for the year ended 31 December 2023

Our further decrease of revenue from sales of heat exchangers to approximately RMB33.4 million for the year ended 31 December 2023 was mainly due to the fact that we have received a significant contract of sales of process burners from Customer G in 2022. While the production and manufacturing procedures of process burners and heat exchangers are within the same production facilities at Jinxin Road, we have focused our effort and resources for our on-going contracts with Customer G for process burners and obtained less contracts for heat exchangers, resulting in the decrease of sales of heat exchangers during the year ended 31 December 2023.

Installation services

During the Track Record Period, our Group also provided installation services to our customers under our manufacturing and sale of equipment. Such revenue accounted for approximately 0.9%, 0.9% and nil of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

Our installation services are part and parcel of our manufacturing and sale of equipment as we provide such services to our customers under manufacturing and sale of equipment business. Our Group, upon requests, provides installation services for the equipment manufactured by us and/or ancillary facilities such as platforms and escalators, mechanical erection work and electrical erection work to our customers, by leveraging our industry knowledge. We typically outsource the installation services to third-party installation companies. The movement of our revenue from provision of installation services are not directly align with the movement of revenue from the manufacturing and sale of equipment as not all of our customers shall engage us for installation services.

For the year ended 31 December 2021, revenue from provision of installation services of approximately RMB2.2 million were solely derived from Guizhou Jinze. For the year ended 31 December 2022, revenue from provision of installation services of approximately RMB3.8 million were derived from three customers, mainly consisted of Guizhou Jinze and Customer E. All of these relevant revenue were related to the provision of installation services for equipment manufactured by us only under the manufacturing and sale of equipment.

Revenue by contract types

The following table sets out a breakdown of our revenue by contract types during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Equipment-related contracts	236,542	95.4	404,148	96.4	535,444	98.4
Parts and components contracts	11,502	4.6	14,925	3.6	8,685	1.6
Total	248,044	100.0	419,073	100.0	544,129	100.0

Our sale contracts can be broadly classified as (i) equipment-related contracts which include sales of equipment and related parts and components and provision of installation services in one contract as provision of installation services are part and parcel of our manufacturing and sale of equipment; and (ii) parts and components contracts which include sales of parts and components standalone in one contract. During the Track Record Period, our Group's revenue was substantially derived from our equipment-related contracts, which accounted for approximately 95.4%, 96.4% and 98.4% of our total revenue, respectively. On a much smaller scale, our revenue from parts and components contracts accounted for approximately 4.6%, 3.6% and 1.6% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of revenue contribution from equipment-related contracts undertaken by range of revenue recognised during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Number of contracts	*RMB'000*	*Number of contracts*	*RMB'000*	*Number of contracts*	*RMB'000*
Revenue recognised						
Above RMB10 million	3	48,178	10	225,467	11	323,641
Above RMB5 million to RMB10 million	6	39,191	7	49,725	7	54,265
Above RMB1 million to RMB5 million	47	111,126	48	105,126	54	120,985
RMB1 million and below	123	38,047	93	23,830	130	36,553
Total	179	236,542	158	404,148	202	535,444

During the Track Record Period, our Group undertook 179, 158 and 202 equipment-related contracts which contributed revenue to the corresponding years, respectively. Average revenue recognised per equipment-related contract (calculated by total revenue derived from equipment-related contracts over the total number of equipment-related contracts in the year) was approximately RMB1.3 million, RMB2.6 million and RMB2.7 million for the years ended 31 December 2021, 2022 and 2023, respectively. Such overall increment illustrated that we had undertaken contracts with larger scale and larger awarded contract sum during the Track Record Period. This is consistent to the increase of the number of equipment-related contracts award and the corresponding aggregate awarded contract sum (exclusive of VAT) throughout the Track Record Period. Our Group was awarded with 190, 190 and 154 equipment-related contracts, respectively, with aggregate awarded contract sum (exclusive of VAT) of approximately RMB322.5 million, RMB628.3 million and RMB497.2 million, respectively, for the years ended 31 December 2021, 2022 and 2023. Details of the number of equipment-related contracts awarded to us during the Track Record Period and corresponding awarded contract sum are disclosed in section headed "Business — Our Contracts — Equipment-related contracts awarded to our Group during the Track Record Period and up to the Latest Practicable Date".

According to F&S Report, our pricing and charging basis of our petroleum refinery and petrochemical equipment during the Track Record Period is generally in line with the market players of similar product category in the PRC. As such, our Directors considered that the fluctuation of our overall revenue during the Track Record Period was mainly due to the increase in the number of sizeable contracts tendered and completed during the Track Record Period.

Revenue by customer type

The table below sets out the breakdown of revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Owners of production facilities	169,053	68.2	384,300	91.7	480,823	88.4
Third-party contractors	40,146	16.2	30,117	7.2	46,753	8.6
Equipment manufacturers	34,713	14.0	3,762	0.9	16,224	3.0
Others[(1)]	4,132	1.6	894	0.2	329	—
Total	248,044	100.0	419,073	100.0	544,129	100.0

Note:

(1) Others mainly consist of sale of equipment to trading companies and a research centre during the Track Record Period, which our Directors consider this represented an insignificant part of our total revenue. For details, please refer to section headed "Business — Our Customers — Our sales with trading companies and a research centre during the Track Record Period."

During the Track Record Period, owners of production facilities and third-party contractors are our major customer types, which, in aggregate, accounted for approximately 84.4%, 98.9% and 97.0%, respectively, of our total revenue.

Revenue from sales to owners of production facilities

Our largest customer type is owners of production facilities, which accounted for approximately 68.2%, 91.7% and 88.4%, respectively, of our total revenue for the years ended 31 December 2021, 2022 and 2023. We recorded an increase of revenue from owners of production facilities from approximately RMB169.1 million for the year ended 31 December 2021 to approximately RMB384.3 million for the year ended 31 December 2022. Such increase was consistent to our increased revenue from Customer A and Customer B, being owners of production facilities and our five largest customers for each of the years ended 31 December 2021 and 2022. We recorded total revenue from Customer A and Customer B of approximately RMB68.6 million and RMB273.6 million, respectively, representing approximately 40.6% and 71.2% of total revenue from owners of production facilities, respectively, for the years ended 31 December 2021 and 2022. Our Directors consider that such increase was driven by the increase in customer's demand for our products used for the construction of refinery and chemical plants as well as upgrading of existing structure of their production facilities, which also adhered to the PRC Government's promotion of high quality development of the petroleum refinery and petrochemical industry, and acceleration of the transformation of the structure of the industry under "Development Guidance of Petroleum and Petrochemical Industry in 14th Five-Year Period" (石油和化學工業"十四五"發展指南) in 2021.

We recorded a further increase of revenue from owners of production facilities by approximately RMB96.5 million to approximately RMB480.8 million for the year ended 31 December 2023 as compared to that of 2022. Such increase was a combining result of (i) increased sale orders and revenue from our certain five largest customers for 2023, such as Customer H, Customer I and Customer J, who are also major market participants in the petroleum refinery and petrochemical industry in the PRC. We have recorded total revenue from these three customers of approximately RMB146.1 million for the year ended 31 December 2023, representing approximately 26.9% of our revenue from owners of production facilities; (ii) completion of sales with Customer G, an overseas customer and our second largest customers for 2023, for the construction of a chemical complex located in Russia. We recorded revenue from Customer G of approximately RMB62.5 million, accounting for approximately 13.0% of our revenue from owners of production facilities; and (iii) partially offset by the overall decrease in revenue from Customer A and Customer B of approximately RMB66.6 million for the year ended 31 December 2023 as compared to corresponding period in 2022. However, Customer A and Customer B remained contributed significant revenue to our Group of approximately RMB207.1 million, in aggregate, accounting for approximately 43.1% of our revenue from owners of production facilities for the year ended 31 December 2023.

Revenue from sales to third-party contractors

Third-party contractors were our second largest customer type during the Track Record Period, which accounted for approximately 16.2%, 7.2% and 8.6%, respectively, of our revenue for the years ended 31 December 2021, 2022 and 2023. Our sales to third-party contractors decreased by approximately 25.0% or RMB10.0 million from approximately RMB40.1 million for the year ended 31 December 2021 to approximately RMB30.1 million for the year ended 31 December 2022. Our sales to third-party contractors increased by approximately 55.5% or RMB16.7 million to approximately RMB46.8 million for the year ended 31 December 2023.

The drop of revenue from third-party contractors during the year ended 31 December 2022 was mainly attributable to the decrease in sales to Customer C, being a subsidiary of a state-owned enterprise in the PRC principally engaged in design, procurement and construction for coal chemical and petrochemical equipments, with revenue decreased from approximately RMB11.3 million for the year ended 31 December 2021 to approximately RMB0.1 million for the year ended 31 December 2022. Such decrease in revenue is partially offset by increase in revenue from Customer M, one of the largest EPC contractors in the petroleum refinery and petrochemical industry in the PRC, of approximately RMB9.7 million for the year ended 31 December 2022. Our sales to third-party contractors increased to approximately RMB46.8 million for the year ended 31 December 2023, mainly due to further increase of sales and revenue from Customer M during the year ended 31 December 2023. We recorded revenue from Customer M of approximately RMB21.3 million during the year ended 31 December 2023, which accounted for approximately 45.5% of our revenue from third-party contractors in 2023.

Revenue from sales to equipment manufacturers

Our revenue from equipment manufacturers decreased from approximately RMB34.7 million for the year ended 31 December 2021 to approximately RMB3.8 million for the year ended 31 December 2022, which was mainly attributable to the decrease in revenue from Ningbo Zhongneng as a result of completion of sale in 2021 with revenue recognised of approximately RMB23.7 million and we did not receive new sales orders from Ningbo Zhongneng in 2022. Our revenue from equipment manufacturers increased to approximately RMB16.2 million for the year ended 31 December 2023, mainly because we have completed sales contracts with relatively higher contract sum.

Cost of sales

Our cost of sales comprises (i) materials and components used; (ii) outsourcing service fees; (iii) direct labour costs; (iv) taxes and levies; (v) royalty fee; and (vi) manufacturing overhead which mainly included electricity and fuel, repair and maintenance, depreciation of property, plant and equipment related to our productions, production safety cost and others. Materials and components used and direct labour costs represent a significant portion of our cost of sales, which in aggregate accounted for approximately 81.7%, 85.2% and 85.6% of our total cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively.

The table below sets out a breakdown of our cost of sales for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Materials and components used	135,513	76.5	232,750	81.4	289,608	82.1
Outsourcing service fees	16,190	9.2	23,133	8.1	29,883	8.5
Direct labour costs	9,235	5.2	10,945	3.8	12,338	3.5
Taxes and levies	3,766	2.1	4,244	1.5	5,018	1.4
Royalty fee	573	0.3	467	0.2	—	—
Manufacturing overhead	11,869	6.7	14,518	5.0	15,734	4.5
Total	177,146	100.0	286,057	100.0	352,581	100.0

Materials and components used

Our materials and components used mainly represent purchase cost of steel materials and components. Our materials and components used as a percentage of our cost of sales remained relatively stable at approximately 76.5%, 81.4% and 82.1%, respectively, for the years ended 31 December 2021, 2022 and 2023.

We consider that our cost of materials and components used fluctuated with the price of steel plates in the PRC as the key materials procured by us are steel materials, such as steel plates and steel pipes. According to the F&S Report, steel price is mainly influenced by the supply and demand level and government policies and is likely to fluctuate in the future. The price index of overall steel plate in China increased significantly during the year ended 31 December 2021, mainly resulted from (i) the sharp rise in the prices of raw materials of steel, such as iron ore and coking coal and iron ore has accounted for over 80% of the cost breakdown of steel products; (ii) increase in the demand of steel used in the construction industry and various infrastructures, along with the economy's recovery; and (iii) the implementation of certain government policies by mid of 2021, such as Adjusting the Customs Tariff Commission of the State Council stated that the import and export of steel tariff adjustment policy with an aim to guide the steel industry to reduce crude steel production; and leading to the rapid increase of steel price. The price index of overall steel plate hit the highest (between 2019 and 2023) of 157.7 in September 2021, dropped to 133.2 in May 2022 and maintained a decreasing trend to 112.9 in December 2023 as a result of high inventory level. For details of the fluctuation of price index of overall steel plate in China, see "Industry Overview — Major Cost Analysis of Petroleum Refinery and Petrochemical Equipment Market — Steel materials" to this prospectus.

Our materials and components used increased by approximately RMB97.3 million or 71.8% from approximately RMB135.5 million for the year ended 31 December 2021 to approximately RMB232.8 million for the year ended 31 December 2022, which was largely aligned our revenue growth of approximately 69.0% from approximately RMB248.0 million for the year ended 31 December 2021 to approximately RMB419.1 million for that of 2022.

Our materials and components used further increased by approximately 24.4% or RMB56.8 million from approximately RMB232.8 million for the year ended 31 December 2022 to approximately RMB289.6 million for the same period of 2023, which aligned our revenue growth of approximately 29.8% in 2023; and partially offset by the gradual decrease in steel price during the year.

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuation in price index of overall steel plate in China on our profit before tax during the Track Record Period. The hypothetical fluctuation rates are set at 6.0% and 13.9%, with reference to the range of historical price index of overall steel plate in China from 2021 to 2023 as show in the F&S Report, which are considered to be reasonable for the purpose of this sensitivity analysis:

	+/–6.0%	**+/–13.9%**
	RMB'000	*RMB'000*
Changes in profit before tax		
Year ended 31 December 2021	–/+8,131	–/+18,836
Year ended 31 December 2022	–/+13,965	–/+32,352
Year ended 31 December 2023	–/+17,376	–/+40,256

Direct labour costs

Direct labour costs comprised salaries and welfares of our employees involved in our manufacturing and production process. For the year ended 31 December 2021, 2022 and 2023, direct labour costs amounted to approximately RMB9.2 million, RMB10.9 million and RMB12.3 million, representing approximately 5.2%, 3.8% and 3.5% of the total cost of sales for the corresponding periods, respectively. The overall increase of our direct labour costs during the Track Record Period was mainly attributable to the increase in the headcount of our production team and its average salary level during the Track Record Period, which reflected our revenue growth.

Sensitivity analysis

The following sensitivity analysis illustrates the impact hypothetical fluctuation in direct labour costs on our profit before tax during the Track Record Period, assuming the fluctuation of our direct labour costs to be 5% and 10% during each of the year ended 31 December 2021, 2022 and 2023:

	+/–5%	**+/–10%**
	RMB'000	*RMB'000*
Changes in profit before tax		
Year ended 31 December 2021	–/+462	–/+924
Year ended 31 December 2022	–/+547	–/+1,095
Year ended 31 December 2023	–/+617	–/+1,234

Outsourcing service fees

Outsourcing service fees represented cost for engaging third-party for installation, transportation for delivery of our equipment to customers, and consulting services for conducting project site visits, technical study and cost estimation study to assist our Group on preparing tender documents. Our outsourcing service fees amounted to approximately RMB16.2 million, RMB23.1 million and RMB29.9 million, respectively, representing approximately 9.2%, 8.1% and 8.5% of our total cost of sales for the year ended 31 December 2021, 2022 and 2023, respectively.

The increase of outsourcing service fees by approximately RMB6.9 million or 42.6% for the year ended 31 December 2022 as compared with that of 2021, was mainly due to increase in transportation cost and installation cost which was in line with our revenue growth. Our outsourcing service fees increased by approximately RMB6.8 million or 29.4% for the year ended 31 December 2023 as compared with that of 2022, was mainly attributable to increase in transportation cost and consultancy fee which was in line with our revenue growth during the year; and partially offset by the decrease in third-party installation fee of approximately RMB2.1 million for the year ended 31 December 2022 while no such fee incurred for the year ended 31 December 2023.

Taxes and levies

Taxes and levies primarily represented various kinds of government levies or taxes such as real estate tax (房產稅), education surtax (教育附加稅), urban construction tax (城市建設維護稅), tenure tax (土地使用稅) and stamp duty (印花稅), amounted to approximately RMB3.8 million, RMB4.2 million and RMB5.0 million, representing approximately 2.1%, 1.5% and 1.4% of our total cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively.

Gross profit and gross profit margin

Our Group's pricing strategy is principally based on the estimated cost, with a markup to reflect a margin reasonable for the industry, adjusted by other factors such as market demand, level of specification and/or customisations required by our customers, contract sum and scale, and availability of our capacity, in terms of manpower and financial resources. We typically enter into fixed price contracts with our customers.

The following table sets forth our gross profit and gross profit margin by business activities for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Gross profit (loss)	Gross profit margin	Gross profit (loss)	Gross profit margin	Gross profit (loss)	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing and sale of equipment						
SRU and VOCs incineration equipment	24,578	24.2	22,782	31.3	24,371	31.6
Catalytic cracking equipment	18,924	29.9	79,921	31.8	104,818	32.8
Process burners	15,778	52.6	15,377	34.1	53,966	47.2
Heat exchangers	11,868	23.3	14,881	32.5	8,393	25.1
Subtotal	71,148	28.9	132,961	32.0	191,548	35.2
Installation services	(250)	(11.1)	55	1.5	—	—
Total/overall	70,898	28.6	133,016	31.7	191,548	35.2

During the Track Record Period, we recorded total gross profit of approximately RMB70.9 million, RMB133.0 million and RMB191.5 million, respectively, and overall gross profit margins of approximately 28.6%, 31.7% and 35.2% for the years ended 31 December 2021, 2022 and 2023, respectively.

Manufacturing and sale of equipment

Our gross profit for manufacturing and sale of equipment increased from approximately RMB71.1 million for the year ended 31 December 2021 to approximately RMB133.0 million for the year ended 31 December 2022, representing an increase of approximately RMB61.9 million or approximately 87.1%, which largely aligned our growth in such revenue by approximately RMB169.5 million or 69.0% and resulted from the gradual decrease of steel price from October 2021 due to the high inventory levels and insufficient demand in PRC according to the F&S Report.

Our Group's gross profit for manufacturing and sale of equipment increased from approximately RMB133.0 million for the year ended 31 December 2022 to approximately RMB191.5 million for the year ended 31 December 2023, representing an increase of approximately RMB58.5 million or 44.0%, which was mainly attributed to (i) our growth of revenue for manufacturing and sale of equipment by approximately RMB128.8 million or 31.0% and (ii) a relatively lower materials and components cost as a result of the continuous decrease of steel price since mid of 2022 and during the year ended 31 December 2023.

Our Group's gross profit margin for manufacturing and sale of equipment increased from approximately 28.9% for the year ended 31 December 2021 to approximately 32.0% for the year ended 31 December 2022. Such improvement was mainly attributable to the slight increase of gross profit margin for sales of catalytic cracking equipment from approximately 29.9% for the year ended 31 December 2021 to approximately 31.8% for the year ended 31 December 2022; while revenue contribution from sales of catalytic cracking equipment to total revenue of the year increased from approximately 25.5% for the year ended 31 December 2021 to approximately 60.0% for the year ended 31 December 2022; the gross profit margin derived from sales of SRU and VOCs incineration equipment and heat exchangers increased by approximately 7.1 percentage points and 9.2 percentage points, from approximately 24.2% and 23.3% in 2021 to approximately 31.3% and 32.5% in 2022, respectively; while such increase was partially offset by decrease of gross profit margin for sales of process burners from approximately 52.6% for the year ended 31 December 2021 to approximately 34.1% for the year ended 31 December 2022.

Discussion on gross profit margin for the year ended 31 December 2022 by product categories

SRU and VOCs incineration equipment

Our gross profit margin for sales of SRU and VOCs incineration equipment of approximately 24.2% for the year ended 31 December 2021 was lower than that of 2022 of approximately 31.3%, which was mainly attributable to sale contracts with Anqing branch office of Customer A during the year ended 31 December 2021; with a relatively lower gross profit margin of approximately 22.7% and the aggregated sales accounted for approximately 17.1% of our total revenue from sales of SRU and VOCs incineration equipment in 2021. This relatively lower gross profit margin was primarily due to the facts that we strategically lowered our contract price in order to secure the contracts after considering the contract sum, scale and the future business opportunities upon Customer A's ongoing investment in

Anqing and Yangzi refining upgrading projects. Our gross profit margin for sales of SRU and VOCs incineration equipment increased to approximately 31.3% for the year ended 31 December 2022, which was mainly attributable to the decrease in cost of materials and components, in particular, steel price as a result of the decrease in price index of overall steel plates in the PRC during the year.

Catalytic cracking equipment

Our gross profit margin for sales of catalytic cracking equipment remained stable at approximately 29.9% and 31.8%, respectively, for the years ended 31 December 2021 and 2022. Our gross profit and gross profit margin for sales of catalytic cracking equipment for the year ended 31 December 2022 was mainly attributed to (i) revenue from Anqing branch office of Customer A, for the sales of catalytic cracking equipment amounted to approximately RMB109.9 million with a gross profit margin of approximately 30.6%; and (ii) revenue from Yangzi branch office of Customer A for the sales of catalytic cracking equipment amounted to approximately RMB76.8 million, with a gross profit margin of approximately 31.3%.

Process burners

Our gross profit margin for sales of process burners decreased by approximately 18.5 percentage points from approximately 52.6% for the year ended 31 December 2021 to approximately 34.1% for the year ended 31 December 2022. The relatively higher gross profit margin for 2021 was mainly attributable to the increase in sales from an overseas customer located in Russia (the "**Russian Customer**") who we have charged a relatively higher gross profit margin. To the best knowledge of our Directors, such customer is principally engaged in engineering, manufacturing, supply and installation of process equipment operating at high temperature in different industries, such as oil refining and petrochemistry with over 20 years of history. Our Group became acquainted with this customer in around early 2020 through the referral of our sale personnel who is responsible for overseas business of our Group. According to F&S Report, the overseas market is comparatively less competitive in pricing as compared with the domestic market in the PRC because China offer competitive manufacturing cost due to economies of scale and the country's diverse range of manufacturing capabilities which catering to the specific needs and requirements of customers. This also allowed overseas customers to access cost-effective solutions and a wider variety of equipment options compared to sourcing locally in their countries. Hence, we had offered a relatively higher contract price, resulting in a higher gross profit margin from those sales with overseas customers as compared to our other customers in the PRC. Revenue from this customer amounted to approximately RMB6.8 million, accounting for approximately 22.8% of our revenue from sales of process burners for the year ended 31 December 2021. Followed by the completion of sale contracts with the Russian Customer in 2021, our Group only recorded relevant revenue of approximately RMB0.2 million for the year ended 31 December 2022. Hence, our gross profit margin for sales of process burners decreased in 2022.

Heat exchangers

Our gross profit margin for sales of heat exchangers was approximately 23.3% for the year ended 31 December 2021, which was relatively lower than that of approximately 32.5% for 2022, primarily attributable to sales of heat exchangers to Ningbo Zhongneng was of a relatively lower gross profit margin with revenue of approximately RMB23.7 million, accounting for approximately 46.7% of our revenue from sales of heat exchangers during the year ended 31 December 2021. Such relatively lower gross profit margin was primarily resulted from actual costs incurred for this contract exceed the estimated costs we offered to Ningbo Zhongneng as we generally entered into fixed-price contracts and there is time difference between the signing of sale contracts and the time we procured materials and components from our suppliers.

Our Group's gross profit margin for manufacturing and sale of equipment increased from approximately 32.0% for the year ended 31 December 2022 to approximately 35.2% for the year ended 31 December 2023. Such growth was mainly contributed by (i) slight increase of gross profit margin for sales of catalytic cracking equipment from approximately 31.8% for the year ended 31 December 2022 to approximately 32.8% for the year ended 31 December 2023; with revenue contribution of approximately 60.0% and 58.7% to our total revenue for the years ended 31 December 2022 and 2023, respectively; (ii) increase of gross profit margin for sales of process burners by approximately 13.1 percentage points from approximately 34.1% for the year ended 31 December 2022 to approximately 47.2% for the year ended 31 December 2023, while the revenue contribution from sales of process burners to total revenue increased from approximately 10.8% for the year ended 31 December 2022 to approximately 21.0% for the year ended 31 December 2023; and (iii) a relatively stable gross profit margin for sales of SRU and VOCs incineration equipment at approximately 31.3% and 31.6%, respectively for the years ended 31 December 2022 and 2023, with stable revenue contribution of approximately 17.4% and 14.2%, respectively, to our total revenue for the years ended 31 December 2022 and 2023.

Our relatively higher gross profit margin for the year ended 31 December 2023 was largely resulted from the overall decrease in cost of materials and components used as a percentage to our total revenue for manufacturing and sale of equipment. For the years ended 31 December 2022 and 2023, our cost of materials and components used as a percentage to our revenue for manufacturing and sale of equipment for the relevant period was approximately 56.0% and 53.2%, respectively. This decrease was mainly attributable to the continuous decreasing trend of the price index of overall steel plate in China from October 2021 and throughout the year of 2022 and 2023. Since the duration period of our contracts varies and may take up to three to 19 months to complete, thus, there will be time lag between the signing of our fixed-price sale contracts, when the price of the materials and components are usually determined and estimated; and the actual procurement of materials and components for productions. The price index of overall steel plate in China has reached its highest (between 2019 to 2023) at 157.7 in September 2021 and decreased to 133.2 in May 2022 and 112.9 in December 2023. As a result, we recorded an overall decrease in cost of materials and components used as a percentage to our revenue for manufacturing and sale of equipment and an increase in our gross profit margin for manufacturing and sale of equipment for the year ended 31 December 2023. For details of the fluctuation of price index of overall steel plate in China, see section headed "Industry Overview — Major Cost Analysis of Petroleum Refinery and Petrochemical Equipment Market — Steel materials" to this prospectus.

Process burners

Gross profit for sales of process burners increased by approximately RMB38.6 million for the year ended 31 December 2023 with an improvement of relevant gross profit margin from approximately 34.1% for the year ended 31 December 2022 to approximately 47.2% for the same period in 2023. Such growth was mainly attributed to completion of sales of process burners to Customer G, an overseas customer and our second largest customer for 2023, who we have charged a relatively higher gross profit margin as the overseas market is comparatively less competitive in pricing as compared to the domestic market in the PRC according to the F&S Report. Revenue from Customer G for the year ended 31

December 2023 amounted to approximately RMB62.5 million with gross profit of approximately RMB32.9 million, accounting for approximately 54.7% and 60.9% of our revenue and gross profit derived from sales of process burners for the relevant period.

Installation services

For the year ended 31 December 2021, we recorded gross loss for installation services of approximately RMB0.3 million and resulting in negative gross profit margin of approximately 11.1%. For the year ended 31 December 2022, we recorded minimal gross profit of approximately RMB55,000 and gross profit margin of approximately 1.5%. Our Group typically outsources installation works to third party sub-contractors and we provide quotation to our customers after obtaining price quotation from our third party installation companies. We shall set out the stand-alone price of our equipment and fee charged for installation services in our sales contracts and we normally charge little or no profit for installation services as our Directors consider that the pricing of contract for sale of equipment and provision of installation services are determined as a whole of the project and our profit shall typically come from our sale of equipment itself. The price of our equipment may include our margin, which compensate the other costs associated with producing the equipment and this is a market practice as confirmed by F&S. The relevant gross loss for the year ended 31 December 2021 was mainly attributed to the additional variation works to be performed by our subcontractor while we have entered into fixed-price sale contracts with our customers. However, our Directors consider such part of loss is immaterial and the contract as a whole of sale of equipment and provision of installation services recorded an overall gross profit.

The following table sets forth our gross profit and gross profit margin by contract types for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Equipment-related contracts	63,908	26.9	123,663	30.6	184,723	34.5
Parts and components contracts	6,990	60.8	9,353	62.7	6,825	78.6
Total/overall	70,898	28.6	133,016	31.7	191,548	35.2

During the Track Record Period, gross profit margin of our equipment-related contracts was approximately 26.9%, 30.6% and 34.5%, respectively, which is comparatively lower than that of our parts and components contracts of approximately 60.8%, 62.7% and 78.6%, respectively. Our Directors considered that since our parts and components are relatively standardised piece of products and involved in smaller contract amounts as compared to equipment-related contracts, hence, we are able to charge a relatively higher price with higher gross profit margin. According to F&S, it is in line with the market practice that gross profit margin of sale of parts and components standalone are relatively higher than that of sale of equipment.

The following table sets forth our gross profit and gross profit margin by customer types for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Owners of production facilities	49,467	29.3	120,135	31.3	173,232	36.0
Third-party contractors	14,330	35.7	11,085	36.8	15,024	32.1
Equipment manufacturers	4,937	14.2	1,263	33.6	3,054	18.8
Others	2,164	52.4	533	59.6	238	72.3
Total/overall	70,898	28.6	133,016	31.7	191,548	35.2

Owners of production facilities

Following our revenue growth for sales to owners of production facilities for the year ended 31 December 2022, our gross profit increased from approximately RMB49.5 million for the year ended 31 December 2021 to approximately RMB120.1 million for the year ended 31 December 2022; and the relevant gross profit margin maintained at a similar level of approximately 29.3% and 31.3%, respectively.

Gross profit from sales to owners of production facilities increased by approximately RMB53.1 million to approximately RMB173.2 million for the year ended 31 December 2023, which aligned the increase of relevant revenue by approximately RMB96.5 million from approximately RMB384.3 million for the year ended 31 December 2022 to approximately RMB480.8 million for the year ended 31 December 2023, such that the gross profit margin increased by approximately 4.7 percentage points from approximately 31.3% for the year ended 31 December 2022 to approximately 36.0% for the year ended 31 December 2023. This increase was mainly attributed to (i) the relatively lower price index of overall steel plate for the year ended 31 December 2023 as compared to the same period of 2022 as explained above; and (ii) the completion of sales with Customer G, our second largest customer for 2023 with gross profit margin of over 50%.

Third-party contractors

Gross profit for sales to third-party contractors decreased by approximately RMB3.2 million from approximately RMB14.3 million for the year ended 31 December 2021 to approximately RMB11.1 million for the year ended 31 December 2022, which is generally in line with the decrease of revenue from third-party contractors for the years ended 31 December 2022. The gross profit margin for sales to third-party contractors maintained at a relatively stable level at approximately 35.7% and 36.8% for the years ended 31 December 2021 and 2022, respectively. Gross profit for sales to third-party contractors increased to approximately RMB15.0 million for the year ended 31 December 2023, which is in line with the relevant revenue growth during the year and the gross profit margin maintained relatively stable at approximately 36.8% and 32.1% for the years ended 31 December 2022 and 2023, respectively.

Equipment manufacturers

We recorded a relatively lower gross profit margin for sales to equipment manufactures of approximately 14.2% for the year ended 31 December 2021 which was mainly due to sales to Ningbo Zhongneng which we had recorded gross profit margin of around 8%, and revenue from Ningbo Zhongneng accounted for approximately 68.3% of revenue from equipment manufacturers during the year ended 31 December 2021. Such gross profit margin was attributable to the consultancy fee incurred and the increase in purchase cost of materials and components at the time we procured the materials for production as compared to our cost estimation.

In line with increased sales to equipment manufacturers for the year ended 31 December 2023, our corresponding gross profit also increased from approximately RMB1.3 million for the year ended 31 December 2022 to approximately RMB3.1 million for the same period in 2023. However, driven by sales of our equipment to a customer, which represented approximately 36.0% of revenue from sales to equipment manufacturers for the year ended 31 December 2023 with lower gross profit margin. Such relatively lower gross profit margin was primarily because we have offered a competitive price in securing the contract after considering the contract sum and actual costs incurred for the equipment contract exceed the estimated costs we offered as stipulated in the fixed-price contracts. As a result, the gross profit margin generated from sales to equipment manufacturers decreased from approximately 33.6% for the year ended 31 December 2022 to approximately 18.8% for the same period in 2023.

Others

During the Track Record Period, gross profit margin derived from sales to others which mainly included trading company customers and a research centre, is relatively higher than that of sales to other customer types. To our Directors' best knowledge after making reasonable enquiries, our trading company customers and a research centre generally purchase our equipment, and parts and components with a relatively smaller contract sum. Details of our major trading company customers are disclosed in section headed "Business — Our Customers — Our sales with trading companies and a research centre during the Track Record Period" in this prospectus. Our gross profit margin for sales to others is generally higher than that of sales to our other customer types during the Track Record Period because the proportion of gross profit generated from sales of parts and components was relatively higher in sales to others, and the overall gross profit margin for parts and components contracts was over 60% throughout the Track Record Period. Gross profit margin for sales to others increased from approximately 52.4% for the year ended 31 December 2021 to approximately 59.6% for the year ended 31 December 2022, was mainly due to the increase of sale of parts and components to trading company customers as a percentage of total sales to others for the year, such that, over 70% of sales to others for the year ended 31 December 2022 is contributed from sales of parts and components while only around 15% in the corresponding year of 2021. For the year ended 31 December 2023, we recorded a further decrease in sales to others with gross profit margin of approximately 72.3% which was because a majority of sales are related to sales of parts and components only.

According to F&S, profit margin for the sale of parts and components is often higher than that of sale of equipment due to the production of parts and components benefits from economies of scale where manufacturers can produce these items in relatively large quantities, leading to lower production costs per unit. In contrast, the sale of tailored-made equipment involves higher production costs due to customisation and specialised engineering. The customisation process requires more time, resources, and expertise, which contribute to increased production costs and relatively lower profit margin as compare to parts and components.

Other income and gains, net

Our other income and gains, net mainly consist of government grants, litigation compensation, rental income, net, interest income and gain on disposal of wealth investment products. The following table sets forth a breakdown of our other income and gains, net for the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	4,153	713	1,097
Litigation compensation	3,100	—	—
Rental income, net	338	343	325
Interest income	286	242	576
Others[(1)]	700	526	2,357
Total	8,577	1,824	4,355

Note:

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

Government grants

Our government grants mainly represent the subsidies and incentives from local government authorities in China, in connection with high-tech enterprise development support, encouragement on research and development investment, innovation capability and patents invention; and in recognition of our contribution to local economic development and social stability. The establishment of the incentive programs and grant of subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. Our eligibility for government grants is dependent on a variety of factors, including the qualification of a high-tech enterprise, annual research and development expenses, taxation contribution for the past years and etc. There are no unfulfilled conditions relating to such government subsidies and incentives recognised during the Track Record Period. All government grants received are provided typically on one-off and discretionary basis and caused the fluctuations in the amount of other income and gains, net.

The table below sets forth a breakdown of our government grants during the Track Record Period:

Nature/Project	Governmental authority	Conditions for obtaining subsidy	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Little Giant Training Enterprises (小巨人培育達標企業)	Luoyang City People's Government (洛陽市人民政府)	The incentives were issued since we were recognised as Little Giant Training Enterprises (小巨人培育達標企業) and subsequently evaluated as good performance and satisfy the financial requirements.	1,600	—	—
Supporting funds for stabilising employment	Luoyang Ministry of Human Resources and Social Security (洛陽市人力資源和社會保障局)	This subsidy was to encourage our effort of stabilising employment and employment contribution.	—	98	82
Patent inventions project [(1)]	Administration for Market Regulation of Luoyang City (Intellectual Property Bureau) 洛陽市市場監督管理局 (知識產權局)	This subsidy was to improve intellectual property creation, utilisation, protection and management, pursuant to Measures for the Management of Special Funds for Intellectual Property Rights in Luoyang City (洛陽市知識產權專項資金管理辦法) and this subsidy was issued to us based on our successful registration of invention patents during the relevant application periods.	23	5	30
Subsidies/fundings for research and development of enterprises [(2)]	Finance Bureau of Henan Province (河南省財政廳), Science and Technology Department of Henan Province (河南省科學技術廳), Finance Department of Luoyang National New & High Tech Industry Development Zone (洛陽高新區財政金融), Science and Technology Department of Luoyang National New & High Tech Industry Development Zone (洛陽高新區科技局), and Shanghai Municipal People's Government (上海市人民政府)	These subsidies/fundings were to encourage our Group's past or present effort in research and development investment. These subsidies/ fundings were issued to us based on our investments and expenditure in research and development projects.	1,410	300	658

Nature/Project	Governmental authority	Conditions for obtaining subsidy	Year ended 31 December 2021	2022	2023
			RMB'000	*RMB'000*	*RMB'000*
Special Fund for Major Science and Technology Innovation Project in 2021 (2021年重大科技創新事項) (3)	Luoyang Science and Technology Bureau (洛陽市科學技術局)	This subsidy was issued based on our research and development and commercialisation project of condensed smoke removal technology (凝聚式煙羽脱除技術及裝備).	1,000	—	—
Special funds for technology-based small and medium-sized enterprises (3)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會)	This subsidy was to support private enterprises, especially small and medium-sized enterprises, to pursue innovation-driven development. This subsidiary was issued based on our research and development project on harmless recovery and treatment system of industrial waste gas hydrogen sulphide (工業廢氣硫化氫無害化回收處理系統).	—	100	—
Special funds for postdoctoral research project fund (博士後科研項目啟動經費) (3)	Hanan Provincial Postdoctoral Management Committee (河南省博士後管理委員會)	This subsidy was issued based on our research project of active control mechanism of micro-scale swirl combustion instability based on local heat release enhancement in wall concave cavity (基於壁面凹腔局部釋熱增強的微尺度旋流燃燒不穩定性主動調控機理研究).	—	—	220
First quarter of principal financial incentive funds in 2022	Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳) and Finance Bureau of Henan Province (河南省財政廳)	This subsidy was to support full production of industrial enterprises above designated size in the first quarter of 2022, and supported enterprises to resume work and production, reach production capacity and achieve efficiency. The subsidy was issued to us since we have satisfied the operational requirements.	—	100	—
Others	Various governmental authority		120	110	107
Total			4,153	713	1,097

Notes:

(1) Our Group is engaged in the design, manufacture and sale of petroleum refinery and petrochemical equipment in the PRC. We believe that our strong research and development and design capabilities contributes significantly to our Group's success, involving the registration of patents invented by us. Hence, our Directors considered that the subsidy related to patent invention were generated within our Group's ordinary and usual course of business.

(2) We incurred significant research and development expenses from time to time during the Track Record Period and our Directors consider that subsidies from the government in relation to our historical effort and expenses in research and development projects or technology were generated within the our Group's ordinary and usual course of business.

(3) Our Group occasionally applies special fundings from the relevant government authorities for research and development expenses for a specific project or technology and our Directors consider that the resulting fundings from the authorities were generated within our ordinary and usual course of business on the basis that (i) our Group regularly participates in research and development projects and received grants and subsidies throughout the Track Record Period, which indicates that such grants and subsidies are considered to be a typical and regular part of our business operations; and (ii) petroleum refinery and petrochemical equipment manufacturing involves significant technological advancement and innovations. The government fundings for research and development projects are specifically intended to support our progress of research and development projects and commercialisation of new and advanced petroleum refinery and petrochemical equipment for sale in our business and also aligns with the industry's focus on innovation.

Litigation compensation

Litigation compensation received during the year ended 31 December 2021 were related to an intellectual property infringement proceeding, of which our Group was the plaintiff. On 25 June 2018, prior to the Track Record Period, we filed a claim against Luoyang Mingyuan Petrochemical Technology Co., Ltd. (the "**Luoyang Mingyuan**") and our 10 ex-employees who resigned during the period of 2013 to 2016, in respect of infringement of business secrets and technical secrets of a utility model, namely "a kind of burner (一種燃燒器)" (Application no. 201420705855.X) for an amount of RMB8.0 million. Our Directors confirmed that the aforementioned patent, which is protecting the manufacturing, selling and development and improvement of our one specific type of burner, is not the key process for the production and development of burners by our Company and the infringement of the patent did not have a material impact on our business. Luoyang Mingyuan is a privately-owned PRC company established in March 2014 by our ex-employees with the business scope includes research and development and design and sale of petrochemical equipment and component and environmental protection equipment. On 8 September 2021, the Supreme People's Court of the PRC in favour of us and held that (i) Luoyang Mingyuan and the relevant parties immediately stop the behaviour of infringing on the technical secrets of Luoyang Ruichang and shall not implement the aforementioned patent by themselves or permit others within the validity period of the patents; (ii) Luoyang Mingyuan compensated Luoyang Ruichang for economic losses of RMB3.0 million (including RMB2.0 million for infringement of business secrets and RMB1.0 million for infringement of technical secrets) and reasonable expenses for rights protection of RMB$0.1 million; (iii) the relevant ex-employees assumes joint and several liability for the above compensation amount of RMB0.8 million, in aggregate. Such compensation amount of RMB3.9 million, in aggregate, was determined by the Supreme People's Court after considering the commercial value of the technical secret, the cost of research and development, the benefits obtained from implementation of the technical secret, the loss of competitive advantage of Luoyang Ruichang due to the disclosure of technical secrets, the reasonable expenses incurred by Luoyang Ruichang in this proceeding and other factors. These compensation have been fully received during the years ended 31 December 2020 and 2021. The related litigation expenses incurred for this proceeding was approximately RMB3.0 million.

Except for above and Luoyang Mingyuan being the co-owner of certain patents of our Group (details of which are disclosed in section headed ''Business — Intellectual Property — Co-owned patents'' in the prospectus), there has been no other past or present relationship between the Luoyang Mingyuan and our Group, our Directors, our Shareholders or senior management during the Track Record Period and up to the Latest Practicable Date. As well, except as being our Group's employees prior to the Track Record Period, there have been no other past or present relationships between the natural person defendants, and our Group, our Directors, our Shareholders or senior management during the Track Record Period and up to the Latest Practicable Date.

Selling expenses

Our selling expenses mainly consist of staff costs, entertainment expenses, travelling and related expenses, promotional expenses and office expenses. The following table sets forth a breakdown of our selling expenses for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	5,881	40.0	10,168	49.6	13,119	52.9
Entertainment expenses	5,503	37.4	6,870	33.5	5,691	22.9
Travelling and related expenses	1,635	11.1	1,562	7.6	3,727	15.0
Promotional expenses	302	2.1	339	1.7	281	1.1
Office expenses	227	1.5	320	1.6	461	1.9
Others*(1)*	1,160	7.9	1,247	6.0	1,524	6.2
Total	14,708	100.0	20,506	100.0	24,803	100.0

Note:

(1) Others mainly include bidding fees, depreciation, vocational training expenses and other expense arising from our selling activities.

For the years ended 31 December 2021, 2022 and 2023, our selling expenses amounted to approximately RMB14.7 million, RMB20.5 million and RMB24.8 million, respectively.

Our staff costs includes salaries, bonus and staff welfare for our sales team, increased from approximately RMB5.9 million for the year ended 31 December 2021 to approximately RMB10.2 million for the year ended 31 December 2022, which was mainly attributable to (i) the increase of headcount of Luoyang Ruichang and Shanghai Ruiqieer and general increase of the salary level of our sales team during the year; and (ii) increase of bonus awarded to our sales team in 2022 in recognition of our satisfactory business performance and which reflected our revenue growth for the year ended 31 December 2022. Our staff costs further increased to approximately RMB13.1 million for the year ended 31 December 2023, which was mainly attributable to (i) increase in headcount of our sales team for our expanded operation and (ii) increase in average salary and bonus during the year ended 31 December 2023.

Our entertainment expenses increased from approximately RMB5.5 million for the year ended 31 December 2021 to approximately RMB6.9 million for the year ended 31 December 2022; and decreased to approximately RMB5.7 million for the year ended 31 December 2023. Our Group generally incurred entertainment expenses to acquaint with new customers and maintain business relationships with our existing customers and suppliers. The fluctuation was generally in line with our growing operations and more expenses were incurred to maintain relationships with our business partners.

Our travelling and related expenses which mainly consisted of travelling and hotel accommodation expenses incurred by our sale team, was relatively stable at approximately RMB1.6 million and RMB1.6 million during the years ended 31 December 2021 and 2022, respectively. Such expenses increased to approximately RMB3.7 million for the year ended 31 December 2023 mainly due to more business trips of our sales personnel during the year ended 31 December 2023 as compared to the corresponding period in 2022 when travel restrictions and lockdown measures were in place.

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 following table sets forth a breakdown of administrative expenses for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	10,764	45.9	15,129	53.7	20,972	50.8
Professional and consulting fees	2,702	11.5	2,313	8.2	4,518	10.9
Depreciation and amortisation	3,560	15.2	3,519	12.5	5,621	13.6
Office expenses	1,526	6.5	1,637	5.8	2,817	6.8
Recruitment expenses	1,262	5.4	1,067	3.8	1,273	3.1
Entertainment expenses	690	2.9	698	2.5	1,068	2.6
Travelling and related expenses	592	2.5	598	2.1	1,098	2.7
Patent expenses	347	1.5	518	1.8	514	1.3
Training expenses	229	1.0	670	2.4	490	1.2
Rental expenses	406	1.7	315	1.1	15	—
Others[(1)]	1,397	5.9	1,708	6.1	2,893	7.0
Total	23,475	100.0	28,172	100.0	41,279	100.0

Note:

(1) Others mainly include bank charges, dismissal fee and other administrative expenses.

During the years ended 31 December 2021, 2022 and 2023, our administrative expenses amounted to approximately RMB23.5 million, RMB28.2 million and RMB41.3 million, respectively.

Our staff costs increased from approximately RMB10.8 million for the year ended 31 December 2021 to approximately RMB15.1 million for the year ended 31 December 2022, mainly due to (i) the increase of average salary level of our staff as a result of an increase of bonus of approximately RMB1.1 million awarded to administrative and management staff in recognition of our satisfactory business performance; and (ii) the increase in the number of our administrative staff in Shanghai Ruiqieer 13 as at 31 December 2021 to 18 as at 31 December 2022 with higher salary level. For the year ended 31 December 2023, our staff cost was approximately RMB21.0 million, representing an increase of approximately RMB5.9 million or 39.1% as compared to 2022, which was mainly due to increased number of administrative and supporting staff (including 17 trainees newly recruited during the year ended 31 December 2023) from around 48 by 2022 to around 62 by 2023; and increase in bonus paid to our staff.

Our office expenses was relatively stable at approximately RMB1.5 million and RMB1.6 million, respectively for the years ended 31 December 2021 and 2022. Our office expenses increased to approximately RMB2.8 million for the year ended 31 December 2023 and such growth was generally consistent to the increase of our administrative and supporting team and resulted from the release of travel restrictions and lockdown measures during the year ended 31 December 2023 while most of our administrative and supporting staff have been working from home during the lockdown period in 2022.

We recorded professional and consulting fees of approximately RMB2.7 million, RMB2.3 million and RMB4.5 million, respectively, during the Track Record Period. Our professional and consulting fees mainly consist of (i) legal service fee provided by law firms which are Independent Third Parties; (ii) accounting and auditing services provided by accounting firms which are Independent Third Parties; and (iii) other professional and consulting services mainly included consultation on software supporting service. The relatively higher professional and consulting fee for the year ended 31 December 2023 was mainly because we have incurred (i) legal fee of approximately RMB0.7 million for hiring legal counsels to pursue settlement with debtors and/or handle legal proceedings involving our suppliers; and (ii) approximately RMB0.2 million for consultation on ESG reporting.

Our depreciation and amortisation expenses mainly include depreciation and amortisation of our office buildings, motor vehicles and office equipment, which was at a relatively stable level during the Track Record Period.

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 following table sets forth a breakdown of our research and development expenses for the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	11,939	64.0	16,087	64.1	23,943	63.0
Materials consumed	4,223	22.6	5,568	22.2	6,874	18.1
Depreciation and amortisation	304	1.6	319	1.3	566	1.5
Technical and testing fee	1,017	5.5	2,017	8.0	4,654	12.3
Others[(1)]	1,175	6.3	1,093	4.4	1,926	5.1
Total	18,658	100.0	25,084	100.0	37,963	100.0

Note:

(1) Others mainly consist of office expenses, travelling and related expenses and other expenses.

We recorded research and development expenses of approximately RMB18.7 million, RMB25.1 million and RMB38.0 million during the years ended 31 December 2021, 2022 and 2023, respectively.

Our research and development expense amounted to approximately RMB18.7 million for the year ended 31 December 2021; and increased by approximately RMB6.4 million to approximately RMB25.1 million for the year ended 31 December 2022. This is mainly attributable to (i) increase of staff cost by approximately RMB4.2 million from approximately RMB11.9 million for the year ended 31 December 2021 to approximately RMB16.1 million for the year ended 31 December 2022, such increase was mainly due to further expansion of our research and development team of our Shanghai Ruiqieer to 18 personnel as at 31 December 2022 and increase in bonus; and (ii) increase of materials consumed by approximately RMB1.4 million from approximately RMB4.2 million for the year ended 31 December 2021 to approximately RMB5.6 million for the year ended 31 December 2022. This increase is generally in line with the expansion of our research and development team.

Technical and testing fee represent cost of engaging third-party service providers for testing and commissioning the equipment and our cost incurred for joint research with institutions and project technical support. Technical and testing fee increased from approximately RMB1.0 million for the year ended 31 December 2021 to approximately RMB2.0 million for the year ended 31 December 2022. Our Group collaborated with East China University of Science and Technology (華東理工大學) since 2022 for research and technical support of a calcium-based chemical reaction heat storage. Following with more collaboration projects with East China University of Science and Technology, for the year ended 31 December 2023, our technical and testing fee was approximately RMB4.7 million, representing an increase of approximately RMB2.7 million from approximately RMB2.0 million for the same period of

2022. For our major research and development projects with East China University of Science and Technology (華東理工大學), please see "Business — Business Strategies — Further strengthen our design and research and development capabilities" to this prospectus.

Our research and development expenses increased by approximately RMB12.9 million from approximately RMB25.1 million for the year ended 31 December 2022 to approximately RMB38.0 million for the year ended 31 December 2023, which was due to (i) increase of staff cost by approximately RMB7.9 million from approximately RMB16.1 million for the year ended 31 December 2022 to approximately RMB23.9 million for the year ended 31 December 2023, mainly resulted from the increase in average headcount of research and development team from around 79 by 2022 to around 106 by 2023; (ii) increase in technical and testing fee of approximately RMB2.6 million as explained above; and (iii) increase in materials consumed from approximately RMB5.6 million for the year ended 31 December 2022 to approximately RMB6.9 million for the year ended 31 December 2023 which was generally in line with the expansion of our research and development team and the progression of our existing projects commenced in 2022 to next stage of output's application in 2023.

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

Our 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. We recognised impairment loss for trade receivables of approximately RMB3.3 million and RMB4.5 million for the years ended 31 December 2022 and 2023, respectively; while we recognised reversal of impairment loss on trade receivables of approximately RMB2.9 million for the year ended 31 December 2021. Our Group recognised impairment losses for contract assets of approximately RMB0.5 million and RMB1.4 million for the years ended 31 December 2022 and 2023, respectively; while we recognised reversal of impairment loss for contract assets of approximately RMB0.5 million for the year ended 31 December 2021.

Our total impairment losses on financial assets and contract assets amounted to approximately RMB3.9 million and RMB5.9 million for the years ended 31 December 2022 and 2023, respectively, while we recorded total reversal of impairment loss on financial assets and contract assets of approximately RMB3.4 million for the year ended 31 December 2021.

Finance costs

Our finance costs mainly consist of interest on bank and other borrowings and interest on lease liabilities, which amounted to approximately RMB3.3 million, RMB3.7 million and RMB5.9 million for the years ended 31 December 2021, 2022 and 2023, respectively. The fluctuation of our finance costs during the Track Record Period was generally in line with the increase of our interest-bearing bank and other borrowings throughout the Track Record Period. Our Group recorded total interest-bearing bank and other borrowings of approximately RMB65.7 million, RMB78.6 million and RMB121.8 million as at 31 December 2021, 2022 and 2023, respectively.

Income tax expenses

Our Group's entities established in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a statutory rate of 25%, except for Luoyang Ruichang and Shanghai Ruiqieer, which have obtained Certificate of High Technology Enterprise (高新技術企業證書) in November 2023 and December 2021, respectively. Therefore, entitling Luoyang Ruichang and Shanghai Ruiqieer to preferential income tax rate of 15% for three years from November 2023 and December 2021, respectively, and to be renewed in November 2026 and December 2024, respectively, for additional three years under the relevant PRC tax laws and regulations. According to the Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profit earned in the PRC.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly is exempted from Cayman Islands income tax. Our Company's directly held subsidiary was incorporated in the BVI as a business company with limited liability and are exempted from BVI income tax. Hong Kong Profits Tax has not been provided as our Group has no assessable profit arising from Hong Kong for the years ended 31 December 2021, 2022 and 2023.

Our taxation comprised of (i) profit tax expenses of EIT; and (ii) deferred tax expenses. For the years ended 31 December 2021, 2022 and 2023, we recorded income tax expenses of approximately RMB4.4 million, RMB7.6 million and RMB12.3 million, respectively, and our effective tax rates (equal to income tax expenses divided by profit before tax) was approximately 24.9%, 17.2% and 18.2%, respectively.

Our effective tax rates during the Track Record Period were higher than that of the preferential income tax rate of 15%, mainly due to the 10% withholding tax on dividends declared by our PRC subsidiaries out of PRC and the increase of Listing expenses incurred during the years not subject to tax deduction.

Our Directors confirm that as at the Latest Practicable Date and during the Track Record Period, we (i) have made all required tax filings under the relevant PRC tax laws and regulations and have paid all outstanding tax liabilities due; and (ii) we were not subject to any other dispute or potential dispute with any tax authorities.

Profit for the year

Our profit for the years ended 31 December 2021, 2022 and 2023 was approximately RMB13.2 million, RMB36.5 million and RMB55.2 million, respectively.

REVIEW OF HISTORICAL RESULTS OF OUR OPERATIONS

Year ended 31 December 2022 compared to year ended 31 December 2023

Revenue

Our total revenue increased by approximately RMB125.0 million or 29.8% from approximately RMB419.1 million for the year ended 31 December 2022 to approximately RMB544.1 million for the year ended 31 December 2023. Such increase mainly attributable to the increase in revenue from manufacturing and sales of equipment by approximately RMB128.8 million; and partially offset by the decrease in revenue from installation services by approximately RMB3.8 million during the year ended 31 December 2023.

Manufacturing and sale of equipment

Revenue from manufacturing and sale of equipment increased by approximately RMB128.8 million or 31.0% from approximately RMB415.3 million for the year ended 31 December 2022 to approximately RMB544.1 million for the year ended 31 December 2023, which was mainly attributable to increase in revenue from sales of catalytic cracking equipment and process burners by approximately RMB67.6 million and RMB69.3 million, respectively; and partially offset by the decrease in revenue from sales of heat exchangers by approximately RMB12.4 million during the year ended 31 December 2023.

Increase in revenue from sales of catalytic cracking equipment of approximately RMB67.6 million for the year ended 31 December 2023 is a combining result of (i) increased demand and sale orders from Customer I, our fourth largest customer for 2023, for the construction of Shandong Yulong Island refining and chemical integration project. We have recorded revenue of approximately RMB39.9 million from Customer I for sales of catalytic cracking equipment during the year ended 31 December 2023; while we only recorded relevant revenue of approximately RMB5.6 million from Customer I for the year ended December 2022; (ii) increased revenue from Customer B, for the sales of catalytic cracking equipment, which was mainly contributed by Urumqi branch of Customer B for the construction of an integration project of refining and chemicals; (iii) increased sale orders and revenue from Customer H, our third largest customer for the year ended 31 December 2023, mainly for the construction of Daxie petrochemical reconstruction and expansion project (phase V). We recorded revenue of sales of catalytic cracking equipment to Customer H of approximately RMB45.5 million for the year ended 31 December 2023; and (iv) increased sale orders and revenue from Customer J, our fifth largest customer for 2023, mainly for the construction of a facility in Inner Mongolia for the production of olefins from green hydrogen and coal, with recorded revenue of approximately RMB42.2 million for the year ended 31 December 2023; and partially offset by the overall decrease in revenue contributed by Customer A, our largest customer for 2022 and 2023 for sales of catalytic cracking equipment by approximately RMB44.0 million for the year ended 31 December 2023. For the year ended 31 December 2023, our sales of catalytic cracking equipment to Customer A was mainly contributed from Yangzi branch office and Zhenhai branch office for the construction of Yangzi refining upgrading project and expansion of Zhenhai refining and chemical project, with aggregate revenue for sales of cracking catalytic equipment of approximately RMB141.0 million; while for the same period of 2022, majority of sales of catalytic cracking equipment was derived from Anqing branch office and Yangzi branch office with relevant revenue of approximately RMB109.9 million and RMB76.8 million, respectively; and we have completed most of our sale contracts with Anqing branch office during the first half of 2022. We did not enter into new significant sale contracts with Anqing branch office for the year ended 31 December 2023.

Our sales of process burners increased by approximately RMB69.3 million for the year ended 31 December 2023, mainly due to (i) the completion of sale contracts with Customer G, our second largest customer for 2023, with total revenue of approximately RMB62.5 million recognised during the year. To the best knowledge of our Directors, our process burners supplied to Customer G will be used for the construction of a chemical complex in Russia; and (ii) increased demand and needs for our process burners leveraging the market growth of process burners used in petroleum refinery and petrochemical operations from approximately RMB835.2 million in 2022 to approximately RMB958.2 million in 2023.

Installation services

Revenue from installation services decreased from approximately RMB3.8 million for the year ended 31 December 2022 to nil for the year ended 31 December 2023. This decrease was mainly due to the decreased demand of installation services from customers under our manufacturing and sale of equipment for the year ended 31 December 2023.

Cost of sales

Our cost of sales increased by approximately RMB66.5 million or 23.2% from approximately RMB286.1 million for the year ended 31 December 2022 to approximately RMB352.6 million for the same period in 2023, which aligned our revenue growth of approximately 29.8% for the year ended 31 December 2023. However, this increase was partially offset by the decrease in costs of materials and components used as a percentage to our total revenue during the year ended 31 December 2023 due to the continuous decrease in the price index of overall steel plate in the PRC as a result of high inventory level.

Gross profit and gross profit margin

Our total gross profit increased by approximately RMB58.5 million or 44.0% from approximately RMB133.0 million for the year ended 31 December 2022 to approximately RMB191.5 million for the year ended 31 December 2023, and this increase generally aligned our revenue growth and affected by the fluctuation of our product mix.

Our overall gross profit margin increased by 3.5 percentage points to approximately 35.2% for the year ended 31 December 2023 as compared to that of approximately 31.7% for 2022. The fluctuation was mainly attributable to the (i) increase of gross profit margin derived from sales of process burners from approximately 34.1% for the year ended 31 December 2022 to approximately 47.2% for the year ended 31 December 2023 and the revenue contributed from sales of process burners to total revenue has also increased from approximately 10.8% in 2022 to approximately 21.0% in 2023; and (ii) increase of gross profit margin derived from sales of catalytic cracking equipment from approximately 31.8% for the year ended 31 December 2022 to approximately 32.8% for the year ended 31 December 2023; and revenue from sales of catalytic cracking equipment has accounted for approximately 60.0% and 58.7%, respectively, of our total revenue for the years ended 31 December 2022 and 2023.

In addition, our relatively higher gross profit margin for the year ended 31 December 2023 was resulted from the overall decrease in cost of materials and components used as a percentage to our revenue for manufacturing and sale of equipment. For the year ended 31 December 2022 and 2023, our cost of materials and components used as a percentage to our revenue for manufacturing and sale of equipment for the relevant period was approximately 56.0% and 53.2%, respectively. This decrease was mainly attributable to the continuous decreasing trend of the price index of overall steel plate in China. According to F&S, the price index of overall steel plate in the PRC has reached its highest (between 2019 to 2023) at 157.7 in September 2021 and decreased to 133.2 in May 2022 and maintained a decreasing trend to 112.9 in December 2023. As a result of the above with a relatively higher revenue contribution for sales of process burners with relatively higher gross profit margin in 2023, we recorded an overall improvement of gross profit margin to approximately 35.2% for the year ended 31 December 2023.

Other income and gains, net

Other income and gains, net, increased from approximately RMB1.8 million for the year ended 31 December 2022 to approximately RMB4.4 million for the year ended 31 December 2023, which was mainly attributable to (i) increase in government grants of approximately RMB0.4 million; and (ii) increase in other income from provision of design and testing services of approximately RMB1.3 million.

Selling expenses

Our selling expenses increased by approximately RMB4.3 million or 21.0% from approximately RMB20.5 million for the year ended 31 December 2022 to approximately RMB24.8 million for the year ended 31 December 2023, which was mainly attributable to (i) the increase in staff costs by approximately RMB3.0 million due to the increase in headcount of our sales team and increase in average salary and bonus during the year; (ii) increase in travelling and related expenses by approximately RMB2.2 million; and (iii) partially offset by the decrease in entertainment expenses by approximately RMB1.2 million.

Administrative expenses

Our administrative expenses increased by approximately RMB13.1 million or 46.5% from approximately RMB28.2 million for the year ended 31 December 2022 to approximately RMB41.3 million for the year ended 31 December 2023, mainly due to (i) increase in staff cost by approximately RMB5.8 million as a result of increased number of our administrative and supporting staff (including 17 trainees newly recruited during the year ended 31 December 2023) from around 48 by 2022 to around 62 by 2023 and increased average salary; (ii) increase in depreciation and amortisation by approximately RMB2.1 million; (iii) increase in office expenses by approximately RMB1.2 million which reflected our expanded administrative and supporting team; and (iv) increase of our professional and consulting fees by approximately RMB2.2 million.

Research and development expenses

Our research and development expenses increased by approximately RMB12.9 million or 51.4% from approximately RMB25.1 million for the year ended 31 December 2022 to approximately RMB38.0 million for the year ended 31 December 2023, mainly due to (i) the expansion of our research and development team during 2023 in anticipation of more research and development projects and collaborations with universities and institutions; (ii) increase of materials consumed by approximately RMB1.3 million which was generally in line with our expanded research and development team and the progression of our existing projects which commenced in 2022 to next stage of output's application in 2023; and (iii) increase in technical and testing fee of approximately RMB2.6 million.

Impairment of financial assets and contract assets

Our Group recognised impairment loss of financial assets and contract assets of approximately RMB3.9 million and RMB5.9 million for the years ended 31 December 2022 and 2023, respectively.

Finance costs

Our finance costs increased by approximately RMB2.2 million or 59.5%, from approximately RMB3.7 million for the year ended 31 December 2022 to approximately RMB5.9 million for the year ended 31 December 2023, mainly as a result of increase in bank and other borrowings from approximately RMB78.6 million as at 31 December 2022 to approximately RMB121.8 million as at 31 December 2023.

Income tax expenses

Our income tax expenses increased by approximately RMB4.7 million or 61.8% from approximately RMB7.6 million for the year ended 31 December 2022 to approximately RMB12.3 million for the year ended 31 December 2023, which is generally in line with the increase of our profit before tax by approximately 53.1% from approximately RMB44.1 million for the year ended 31 December 2022 to approximately RMB67.5 million for the year ended 31 December 2023.

Our Group recorded effective tax rates of approximately 17.2% and 18.2% for the years ended 31 December 2022 and 2023, respectively. Such increase was mainly due to (i) increase of Listing expenses, which are not deductible for tax purposes, from approximately RMB9.4 million for the year ended 31 December 2022 to approximately RMB12.6 million for the year ended 31 December 2023; and (ii) increase of tax losses incurred by our certain group companies in the PRC not recognised as deferred income tax as it is not likely that those companies would generate taxable income in the future.

Profit for the year

As a result of foregoing, our profit for the year increased from approximately RMB36.5 million for the year ended 31 December 2022 to approximately RMB55.2 million for the year ended 31 December ended 31 December 2023.

Our net profit margin increased from approximately 8.7% for the year ended 31 December 2022 to approximately 10.1% for the year ended 31 December 2023, which was a combining result of (i) increase of overall gross profit margin from approximately 31.7% for the year ended 31 December 2022 to approximately 35.2% for the same period in 2023; (ii) increase in other income and gains by approximately RMB2.6 million; (iii) general increase in our selling, administrative and research and development expenses mainly attributable to the increase in our headcounts and expanded operations; (iv) increase in Listing expenses of approximately RMB3.3 million; (v) increase in finance cost of approximately RMB2.2 million; and (vi) increase of effective tax rate of approximately 1.0 percentage points.

Year ended 31 December 2021 compared to year ended 31 December 2022

Revenue

Our total revenue increased by approximately RMB171.1 million or 69.0% from approximately RMB248.0 million for the year ended 31 December 2021 to approximately RMB419.1 million for the year ended 31 December 2022, mainly attributable to increase of revenue from manufacturing and sale of equipment by approximately RMB169.5 million and the increase in revenue from installation services by approximately RMB1.6 million.

Manufacturing and sale of equipment

Revenue from manufacturing and sale of equipment increased by approximately RMB169.5 million or 69.0% from approximately RMB245.8 million for the year ended 31 December 2021 to approximately RMB415.3 million for the year ended 31 December 2022, which was mainly attributable to increase in revenue from sales of catalytic cracking equipment by approximately RMB188.3 million; and partially offset by the decrease in revenue from sales of SRU and VOCs incineration equipment by approximately RMB28.9 million during the year ended 31 December 2022.

Increase in our revenue from sales of catalytic cracking equipment of approximately RMB188.3 million for year ended 31 December 2022 was primarily due to increased sales to Customer A, mainly derived from Anqing branch office and Yangzi branch office, as a result of their increased demand for our products. Our Directors considered that Customer A has a high demand for our equipment and this is consistent to their huge capital expenditures for the development of their refining segment, mainly for their construction of Anqing and Yangzi refining upgrading projects. During the year ended 31 December 2022, total revenue from Anqing branch office and Yangzi branch office of Customer A generated from sales of catalytic cracking equipment was approximately RMB109.9 million and RMB76.8 million, respectively.

Installation services

Revenue from installation services increased from approximately RMB2.2 million for the year ended 31 December 2021 to approximately RMB3.8 million for the year ended 31 December 2022. This increase was mainly due to the increased demand from customers of installation services under our manufacturing of equipment business for the year ended 31 December 2022.

Cost of sales

Our cost of sales increased by approximately RMB109.0 million or 61.5% from approximately RMB177.1 million for the year ended 31 December 2021 to approximately RMB286.1 million for the year ended 31 December 2022. Such increase was largely in line with our increase in revenue by approximately 69.0% during the year and partially mitigated by the gradual decrease of steel price from October 2021 due to the high inventory levels and insufficient demand in the PRC according to F&S Report.

Gross profit and gross profit margin

Our total gross profit increased by approximately RMB62.1 million or 87.6% to approximately RMB133.0 million for year ended 31 December 2022 from approximately RMB70.9 million for the year ended 31 December 2021, and this increase was generally aligned our revenue growth and affected by the fluctuation of our product mix.

Our overall gross profit margin slightly increased by 3.1 percentage points to approximately 31.7% for the year ended 31 December 2022 as compared to that of approximately 28.6% for 2021. The fluctuation was mainly attributable to the increase of gross profit margin derived from sales of catalytic cracking equipment from approximately 29.9% for the year ended 31 December 2021 to approximately 31.8% for the year ended 31 December 2022 and the revenue contributed from sales of catalytic cracking equipment to total revenue has also increased from approximately 25.5% in 2021 to approximately 60.0% in 2022.

Other income and gains, net

Other income and gains, net decreased by approximately RMB6.8 million from approximately RMB8.6 million for the year ended 31 December 2021 to approximately RMB1.8 million for the year ended 31 December 2022. The change was primarily due to (i) decrease in government grants by approximately RMB3.4 million. Our government grants received during the year are one-off in nature and the entitlements of which were unconditional and at the discretion of the relevant authority; and (ii) decrease in litigation compensation received by RMB3.1 million arising from intellectual property infringement proceedings and which have been fully received during the year ended 31 December 2021.

Selling expenses

Our selling expenses increased by approximately RMB5.8 million or 39.5% from approximately RMB14.7 million for the year ended 31 December 2021 to approximately RMB20.5 million for the year ended 31 December 2022, which was mainly attributable to (i) the increase in staff costs by approximately RMB4.3 million as a result of the increase of salary level and headcount of our sales team and increase of bonus awarded to sales team in recognition of our satisfactory business performance during the year ended 31 December 2022; and (ii) the increase in entertainment expenses by approximately RMB1.4 million during the year ended 31 December 2022 which reflected our expanded operations with increased revenue.

Administrative expenses

Our administrative expenses increased by approximately RMB4.7 million or 20.0% from approximately RMB23.5 million for the year ended 31 December 2021 to approximately RMB28.2 million for the year ended 31 December 2022 and this is mainly due to (i) the increase in staff costs by approximately RMB4.4 million as a result of the increase of salary level and bonus awarded to administrative and management staff of approximately RMB1.1 million and the increase in the number of our administrative staff from 43 as at 31 December 2021 to 48 as at 31 December 2022; and (ii) an overall increase in entertainment, office expenses and training expenses.

Research and development expenses

Our research and development expenses increased by approximately RMB6.4 million or 34.2% from approximately RMB18.7 million for the year ended 31 December 2021 to approximately RMB25.1 million for the year ended 31 December 2022 and this is mainly due to (i) the increase of staff costs by approximately RMB4.1 million as a result of the expansion of our research and development team of our Shanghai Ruiqieer from 12 as at 31 December 2021 to 18 personnel as at 31 December 2022; and (ii) overall increase of material consumed and others by approximately RMB1.3 million and RMB0.9 million, respectively, which generally aligned our expanded research and development team.

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

Our Group recognised impairment losses of financial assets and contract assets of approximately RMB3.9 million for the year ended 31 December 2022, while a reversal of impairment losses of approximately RMB3.4 million was recorded for the year ended 31 December 2021.

Finance costs

Our finance costs remained relatively stable at approximately RMB3.3 million and RMB3.7 million, respectively, for the years ended 31 December 2021 and 2022.

Income tax expenses

Our income tax expenses increased by approximately RMB3.2 million or 72.7% from approximately RMB4.4 million for the year ended 31 December 2021 to approximately RMB7.6 million for the year ended 31 December 2022, which reflected our business growth that resulted in an increase of our profit before tax from approximately RMB17.6 million for the year ended 31 December 2021 to approximately RMB44.1 million for the year ended 31 December 2022.

Our Group recorded effective tax rates of approximately 24.9% and 17.2% for the years ended 31 December 2021 and 2022, respectively. Such decrease was mainly because we have incurred PRC withholding tax on dividends declared by our PRC subsidiaries out of the PRC in 2021 while no such PRC withholding tax in 2022; partially offset by (i) the increase of tax losses incurred by our certain group companies in the PRC not recognised as deferred income tax as it is not likely that those companies would generate taxable income in foreseeable future; and (ii) increase of Listing expenses by approximately 84.3% from approximately RMB5.1 million in 2021 to approximately RMB9.4 million in 2022 and such expenses were not entitled to income tax deduction.

As at 31 December 2021 and 2022, we have accumulated tax losses in the PRC of approximately RMB24.9 million and RMB42.2 million, respectively. Our Group's accumulated tax losses were mainly derived from our subsidiary, Shanghai Ruiqieer, which principal activity is the sales of petroleum refinery and petrochemical equipment. Details of date and place of incorporation and registered capital of Shanghai Ruiqieer is disclosed in section headed "History, Reorganisation and Corporate Structure — Our Principal Subsidiaries" in this prospectus. Established in 1994, we have based our major operations and constructed our production facilities in Luoyang city, the PRC. In 2002, with an aim to expand our operation, we have established Shanghai Ruiqieer in Shanghai which our Directors believe to have more business opportunities, professional and talents and advance technology. During the Track Record Period, we have limited oversea sales and we have developed a research and development team in Shanghai who are specialising in research and development of modular projects abroad, resulting in our expenses incurred which mainly consist of salaries and wages and related welfare of our staff and senior management, research and development expenses and legal and professional expenses, outweighed our revenue of Shanghai Ruiqieer during the years. Specifically, Shanghai Ruiqieer has expanded its research and development team from 12 as at 31 December 2021 to 18 as at 31 December 2022 as our modular projects is in the peak of research and development stage leading to a significant increase of staff cost and research and development expenses. In addition, for the preparation of our listing, we have recruited more administrative and supporting staff, including the recruitment of a financial director in April 2021. As a result, we recorded an increase of operating losses and accumulated tax losses of Shanghai Ruiqieer as at 31 December 2022 as compared to 2021.

Profit for the year

As a result of the foregoing, our profit for the year increased from approximately RMB13.2 million for the year ended 31 December 2021 to approximately RMB36.5 million for the year ended 31 December 2022.

Our net profit margin increased from approximately 5.3% for the year ended 31 December 2021 to approximately 8.7% for the year ended 31 December 2022, mainly attributable to (i) the increase of gross profit margin by approximately 3.1 percentage point from approximately 28.6% for the year ended 31 December 2021 to approximately 31.7% for the year ended 31 December 2022; and (ii) the decrease in effective tax rate from approximately 24.9% for 2021 to approximately 17.2% for 2022; while partially offset by (i) the increase in Listing expenses of approximately RMB4.3 million for the year ended 31 December 2022; and (ii) decrease in other income and gains, net of approximately RMB6.8 million as a result of decrease in one-off government grants and litigation compensation received.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have met our liquidity requirements through a combination of cash generated from our operations and bank borrowings. Our primary liquidity requirements are to fund our operations, capital expenditures and payments of principal and interest due on our bank borrowings. During the Track Record Period, we are able to repay our bank borrowings when they became due. Following completion of the Global Offering, we expect to fund our future operations and expansion plans principally with cash generated from our business operation, net proceeds from the Global Offering, bank borrowings and other funds raised from capital markets, as and when necessary.

Cash flows

The following table sets out a summary of our net cash flows for the years indicated during the Track Record Period:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Operating profit before working capital changes	21,467	59,145	88,922
Changes in working capital	(25,759)	(54,758)	(67,948)
Cash (used in)/generated from operations	(4,292)	4,387	20,974
Income tax paid	(3,760)	(3,355)	(14,569)
Litigation compensation received	3,100	—	—
Net cash (used in)/generated from operating activities	(4,952)	1,032	6,405
Net cash (used in)/generated from investing activities	(29,274)	5,273	(14,076)
Net cash generated from financing activities	19,280	1,529	31,948
Net (decrease)/increase in cash and cash equivalents	(14,946)	7,834	24,277
Effect of changes in foreign exchange rate	(40)	384	3
Cash and cash equivalents at beginning of year	28,158	13,172	21,390
Cash and cash equivalents at end of year	13,172	21,390	45,670

Operating activities

For the year ended 31 December 2021, our Group recorded net cash used in operating activities of approximately RMB5.0 million, primarily consist of cash used in operations of approximately RMB4.3 million, and income tax paid of approximately RMB3.8 million; and partially offset by proceeds from litigation compensation of RMB3.1 million. Our cash used in operations of approximately RMB4.3 million, was mainly resulted from our profit before tax of approximately RMB17.6 million and adjusted for (i) depreciation of property, plant and equipment, right-of-use assets, investment property and intangible assets of approximately RMB5.5 million, RMB1.0 million, RMB0.5 million and RMB0.2 million, respectively; (ii) reversal of impairment loss on financial assets of approximately RMB3.4 million; (iii) finance costs of approximately RMB3.3 million; (iv) increase of trade and notes receivables of approximately RMB48.6 million; (v) increase of inventories of approximately RMB13.4 million; (vi) increase of prepayment, deposits and other receivables of approximately RMB6.4 million; and at the same time, partially offset by (i) increase of trade and notes payables of approximately RMB46.1 million; (ii) net increase of contract assets and liabilities of approximately RMB2.0 million; and (iii) increase in accruals and other payables of approximately RMB4.3 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed "Description of Selected Items of the Consolidated Statement of Financial Position".

For the year ended 31 December 2022, our Group recorded net cash generated from operating activities of approximately RMB1.0 million, mainly consist of cash generated from operations of approximately RMB4.4 million and partially offset by income tax paid of approximately RMB3.4 million. Our cash generated from operations of approximately RMB4.4 million was mainly resulted from profit before tax of approximately RMB44.1 million and adjusted for (i) depreciation of property, plant and equipment, right-of-use assets, investment property and intangible assets of approximately RMB5.6 million, RMB1.0 million, RMB0.5 million and RMB0.3 million, respectively; (ii) finance costs of approximately RMB3.7 million; (iii) net impairment loss on financial assets of approximately RMB3.9 million; (iv) increase of trade and notes receivables of approximately RMB152.9 million; (v) increase of prepayment, deposits and other receivables of approximately RMB8.3 million; (vi) increase of inventories of approximately RMB7.8 million; and at the same time, partially offset by (i) net increase of contract assets and liabilities of approximately RMB57.1 million; (ii) increase in accruals and other payables of approximately RMB26.5 million; and (iii) increase of trade and notes payables of approximately RMB20.2 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in paragraph headed "Description of Selected Items of the Consolidated Statement of Financial Position".

For the year ended 31 December 2023, our Group recorded net cash generated from operating activities of approximately RMB6.4 million, mainly consists of cash generated from operations of approximately RMB21.0 million and partially offset by income tax paid of approximately RMB14.6 million. Our cash generated from operations of approximately RMB21.0 million was mainly resulted from our profit before tax of approximately RMB67.5 million, and adjusted for (i) depreciation of property, plant and equipment, right-of-use assets, investment property and intangible assets of approximately RMB6.1 million, RMB3.3 million, RMB0.5 million and RMB0.4 million, respectively; (ii) finance costs of approximately RMB5.9 million; (iii) net impairment loss on financial assets of approximately RMB5.9 million; (iv) increase of trade and notes receivables of approximately RMB21.7 million; (v) increase of prepayment, deposits and other receivables of approximately RMB4.9 million; (vi) increase of inventories of approximately RMB13.6 million; (vii) decrease in accruals and other payables of approximately RMB7.3 million; (viii) net changes of contract assets and liabilities of approximately RMB27.3 million; and at the same time, partially offset by increase of trade and notes payables of approximately RMB22.6 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in paragraph headed "Description of Selected Items of the Consolidated Statement of Financial Position".

Our net operating cash flow fluctuated during the Track Record Period, which was mainly because (i) there are often time lags between settlements to our suppliers and settlements from our customers, resulting in possible cash flow mismatch during the years. Our Group generally incurs costs before or along with our production as we have to pay our suppliers partially for procuring the necessary materials and components required for our production. For the years ended 31 December 2021, 2022 and 2023, our trade and note receivables turnover days were approximately 198 days, 205 days and 214 days, respectively, which generally represented the timeframe since we delivered our equipment and up to the settlement of amounts due from our customers. Meanwhile, our trade and notes payables turnover days were approximately 172 days, 149 days and 143 days, respectively, which generally represented the timeframe since we received materials and components from our suppliers and up to our settlement of payment to them. This demonstrates that it generally takes a relatively longer period for us to receive settlements from our customers, as compared to the time it took us to settle our payments to suppliers. We may experience cash flow mismatch from time to time, which largely depend on our customers' internal process for approving our billings; the credit terms granted to us by our suppliers; and the number and scale of our contracts; (ii) we have been awarded by our customers for more sale contracts with relatively larger contract sum and we have recorded increasing backlog amounts as at the end of the reporting period. As 31 December 2021, 2022 and 2023, our ending value of backlog is approximately RMB186.5 million, RMB409.0 million and RMB366.5 million, respectively. This resulted in increased prepayment made to our suppliers for purchase of materials and components and outsourcing services and increased purchase of inventories. As at 31 December 2021, 2022 and 2023, our prepayments amounted to approximately RMB8.2 million, RMB16.3 million and RMB22.3 million, respectively, and our inventories amounted to approximately RMB45.3 million, RMB53.1 million and RMB66.7 million, respectively; and (iii) the increase in our income tax payment as a result of our expanding operations and better financial performance during the Track Record Period. Our Group is able to recorded a positive operating cash flow for the years ended 31 December 2022 and 2023.

To improve our net operating outflow position, we have taken the following measures:

- expediting the cycle of recovering trade receivables. We have taken several measures to improve the collection rate of our trade receivables. For details, please see ''Description of Selected Items of the Consolidated Statements of Financial Position — Trade and notes receivables'' in this section;

- liaising with our suppliers for better payments terms so as to minimise the risk of cashflow mismatch from making payment to our suppliers and receiving payment from our customers; and

- improving our operational efficiency in various aspects of our daily operations, including continuing to manage and control: among other things, (i) streamlining and optimising production process such that we can assign more junior engineers with lower labour costs to execute implementation tasks; (ii) optimising the performance evaluation system for our sales force to focus more on profitability; (iii) continuing to improve the efficiency of our sales and marketing activities through optimising our advertising channel mix; and (iv) continuing to optimise our product development planning and process to lower costs and optimising the team structure of our research and development team.

Investing activities

For the year ended 31 December 2021, our Group had net cash used in investing activities of approximately RMB29.3 million, mainly attributable to (i) the purchases of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of RMB10.0 million and RMB17.0 million, respectively; (ii) the payment for purchases of property, plant and equipment of approximately RMB4.5 million; and (iii) acquisition of shareholding of an associate of approximately RMB0.7 million; and partially offset by recovery of financial assets at fair value through profit or loss of RMB3.0 million.

For the year ended 31 December 2022, our Group had net cash from generated from investing activities of approximately RMB5.3 million, mainly attributable to the recovery of financial assets at fair value through profit or loss of RMB7.0 million and partially offset by the purchase of property, plant and equipment and intangible assets of approximately RMB1.8 million and RMB0.2 million, respectively.

For the year ended 31 December 2023, our Group had cash used in investing activities of approximately RMB14.1 million, primarily attributable to (i) purchases of property, plant and equipment and intangible assets of approximately RMB4.8 million and RMB1.4 million, respectively; (ii) advance to our Controlling Shareholders of approximately RMB8.6 million; and (iii) partially offset by interest received of approximately RMB0.6 million.

Financing activities

For the year ended 31 December 2021, our Group had net cash generated from financing activities of approximately RMB19.3 million, mainly attributable to (i) addition of bank borrowings of approximately RMB59.7 million and (ii) proceeds from shares issued of approximately RMB24.4 million; and partially offset by (i) repayment of bank borrowings of RMB37.0 million; (ii) dividends paid of approximately RMB19.3 million; (iii) interest paid of approximately RMB3.3 million; and (iv) deferred issue cost of approximately RMB5.1 million.

For the year ended 31 December 2022, our Group had net cash generated from financing activities of approximately RMB1.5 million, mainly attributable to addition of bank borrowings of approximately RMB66.7 million and partially offset by (i) repayment of bank borrowings of approximately RMB53.9 million; (ii) deferred issue cost of approximately RMB7.6 million; and (iii) interest paid of approximately RMB3.7 million.

For the year ended 31 December 2023, our Group had net cash generated from financing activities of approximately RMB31.9 million, mainly attributable to addition of bank and other borrowings of approximately RMB122.9 million; and partially offset by (i) repayment of bank and other borrowings and lease liabilities of approximately RMB79.6 million and RMB2.9 million, respectively; (ii) interest paid of approximately RMB5.9 million; and (iii) deferred issue cost of approximately RMB2.4 million.

CURRENT ASSETS AND CURRENT LIABILITIES

Net current assets

The following table sets forth the breakdown of our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current assets				
Inventories	45,332	53,128	66,742	72,631
Trade and notes receivables	160,176	309,758	326,916	284,129
Prepayments, other receivables and other assets	26,793	42,624	58,358	73,907
Financial assets at fair value through profit or loss	7,000	—	—	—
Contract assets	22,259	36,228	48,946	51,377
Pledged deposits	16,230	5,810	21,457	38,287
Cash and bank balances	13,172	21,390	45,670	30,719
	290,962	468,938	568,089	551,050
Current liabilities				
Trade and notes payables	106,598	126,794	149,347	139,875
Contract liabilities	17,656	89,260	76,037	87,403
Accruals and other payables	21,992	48,482	41,194	39,062
Bank and other borrowings	32,748	54,600	82,336	70,211
Lease liabilities	—	—	2,504	1,387
Tax payables	3,951	8,897	7,660	3,802
	182,945	328,033	359,078	341,740
Net current assets	108,017	140,905	209,011	209,310

We recorded net current assets as at 31 December 2021, 2022 and 2023 and 30 April 2024 of approximately RMB108.0 million, RMB140.9 million, RMB209.0 million and RMB209.3 million, respectively.

Our net current assets increased by approximately RMB32.9 million from approximately RMB108.0 million as at 31 December 2021 to approximately RMB140.9 million as at 31 December 2022, mainly attributable to (i) the increase of approximately RMB149.6 million and RMB14.0 million in the balances of our trade and notes receivables and contract assets respectively, as a result of our revenue growth during 2022; (ii) increase in our inventories by approximately RMB7.8 million; and (iii) increase of prepayments, other receivables and other assets of approximately RMB15.8 million, mainly attributable to increase in prepayment for purchase of materials and components and increase in balances with our Controlling Shareholders. This was partially offset by the (i) the increase of trade and notes payables and contract liabilities of approximately RMB20.2 million and RMB71.6 million, respectively; (ii) the increase of accruals and other payables of approximately RMB26.5 million, mainly arising from the increase of other tax payable; (iii) increase of bank and other borrowings of approximately RMB21.9 million; and (iv) increase of tax payables of approximately RMB4.9 million which aligned our increased operating profit during the year ended 31 December 2022.

Our net current assets increased by approximately RMB68.1 million to approximately RMB209.0 million as at 31 December 2023. Such increase is a combined effect of (i) increase in inventories of approximately RMB13.6 million; (ii) increase in prepayment, other receivables and other assets of approximately RMB15.7 million; (iii) increase in trade and notes receivables of approximately RMB17.2 million; (iv) increase in trade and note payables of approximately RMB22.6 million; and (v) net changes in contract assets and contract liabilities of approximately RMB25.9 million. In addition, the increase in bank and other borrowings and lease liabilities of approximately RMB30.2 million, in aggregate, was partially offset by the increase in cash and bank balances and pledged deposits of approximately RMB24.3 million and RMB15.6 million, respectively.

As at 30 April 2024, we recorded net current assets of approximately RMB209.3 million, which was similar to that as at 31 December 2023.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including our expected cash flow generated from our operating activities, our cash and cash equivalents on hand, the estimated net proceeds from the Global Offering and our available banking facilities, our Group has sufficient working capital for our present requirements and for the next 12 months commencing from the date of this prospectus.

Taking into account the working capital management policies adopted by us, and the due diligence work conducted by the Sole Sponsor including but not limited to (i) reviewing the Accountants' Report as set out in Appendix I to this prospectus, (ii) the financial due diligence conducted on our historical financial information during the Track Record Period and discussions with management on its working capital projections, and (iii) written confirmations provided by us and the Reporting Accountants in respect of working capital sufficiency, the Sole Sponsor concurs with the Directors' view that we have sufficient working capital to meet our present needs and at least the next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consist of buildings, machinery and electronic equipment, office equipment and others, motor vehicles, leasehold improvements and construction in progress. The carrying values of our property, plant and equipment decreased from approximately RMB59.4 million as at 31 December 2021 to approximately RMB55.4 million as at 31 December 2022; and further decreased to approximately RMB54.0 million as at 31 December 2023. Such changes were mainly attributable to the addition of property, plant and equipment during the year and partially offset by the depreciation expense incurred during the Track Record Period.

Investment property

Our investment property mainly represent our properties held for rental income purposes. Our investment property is stated at cost less accumulated depreciation and impairment losses, if any. 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.

Our investment property amounted to approximately RMB12.1 million, RMB11.6 million and RMB11.1 million as at 31 December 2021, 2022 and 2023, respectively. The fluctuation reflected the depreciation charges of approximately RMB0.5 million, RMB0.5 million and RMB0.5 million, for the years ended 31 December 2021, 2022 and 2023, respectively.

Right-of-use assets

Lease are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by our Group. Assets arising from a lease are initially measured on a present value basis. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Our right-of-use assets mainly represent land use rights and leased properties of approximately RMB39.0 million, RMB38.1 million and RMB42.1 million in total as at 31 December 2021, 2022 and 2023, respectively. The overall increase of our right-of-use assets as at the end of respective period was a combined effect of (i) the conclusion of new leases for office premises and a production facility in the PRC during the year ended 31 December 2023 and (ii) the depreciation charges provided for during the Track Record Period.

Intangible assets

Our intangible assets mainly consist of purchased software, which amounted to approximately RMB1.2 million, RMB1.2 million and RMB2.1 million as at 31 December 2021, 2022 and 2023, respectively.

Inventories

Our inventories mainly represent materials and components consist of steel materials and components to be used during our production process and research and development purpose; work-in-progress; and finished goods that have completed the manufacturing process and to be delivered and installed at our customers' sites. As at 31 December 2021, 2022 and 2023, the balance of our inventories represented approximately 15.6%, 11.3% and 11.7% of our total current assets, respectively. The following tables set out the breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Materials and components	4,275	7,089	6,409
Work-in-progress	9,086	19,340	55,629
Finished goods	31,686	26,216	3,983
Spare parts	285	483	721
	45,332	53,128	66,742

Our inventories increased from approximately RMB45.3 million as at 31 December 2021 to approximately RMB53.1 million as at 31 December 2022, primarily due to the increase in our materials and components and work-in-progress by approximately RMB2.8 million and RMB10.3 million, respectively, reflecting our increased purchases of materials and components as a result of increased sales and stockpiling in anticipation of greater market demand for our products, and partially offset by the decrease in finished goods by approximately RMB5.5 million due to the fact that we have increased delivery of finished goods in the last quarter of 2022 as compared with that of 2021.

Our inventories further increased by approximately RMB13.6 million to approximately RMB66.7 million as at 31 December 2023 which was mainly attributable to increase in work-in-progress by approximately RMB36.3 million and partially offset by decrease of finished goods by approximately RMB22.2 million.

The following table set out the ageing analysis of our inventories as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	41,958	25,349	58,798
91–180 days	831	7,645	1,256
181–365 days	712	970	3,428
Over one year	1,831	19,164	3,260
	45,332	53,128	66,742

We recorded a decrease of inventories aged over one year from approximately RMB19.2 million as at 31 December 2022 to approximately RMB3.3 million as at 31 December 2023, mainly due to the delivery of finished goods aged over one year as at 31 December 2022 upon customers' instructions for delivery and acceptance during the year ended 31 December 2023.

Pursuant to our inventory policy, the value of inventory shall be stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis and net realisable value is the estimated selling price for inventories less the estimated costs of completion and the costs necessary to make the sale. Our policy on obsolete or damaged inventories is to write off such inventories when our management considers the obsolete or damaged inventories to have no residual value. During the Track Record Period, we had not made any provision or written off of our inventory.

As at the Latest Practicable Date, approximately RMB32.9 million or 49.4% of our inventories as at 31 December 2023 were subsequently consumed/delivered. Our Directors consider there is no material recoverability issue for inventories aged over one year of approximately RMB3.3 million as at 31 December 2023 which comprised approximately RMB2.2 million of materials and components and spare parts; and approximately RMB1.1 million of finished goods, for the reasons that (i) a substantial part of such inventories had already been allocated to our on-going contracts and their subsequent sale/utilisations are only subject to the customers' instructions for delivery and customers' acceptance; (ii) we communicated with our customers regularly and are not aware of any suspension of projects as at the Latest Practicable Date; and (iii) our inventories are not perishable or fragile products and can maintain saleable value. Our management also reviews the recoverability of our inventories as of the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As a result, no provision had been made with respect to our inventories as of the Latest Practicable Date.

The following table sets forth our average inventory turnover days for the years indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
Average inventory turnover days[(1)]	80	63	62

Note:

(1) Average inventory turnover days are calculated by dividing the average of the opening and closing balances of inventories for the relevant year by cost of sales for the relevant year and multiplying the resulting value by the number of days for the relevant year.

Our average inventory turnover days decreased from approximately 80 days for the year ended 31 December 2021 to approximately 63 days for the year ended 31 December 2022, which reflected our increased sales for the years ended 31 December 2022 and we have increased delivery of finished goods in the last quarter of 2022 as compared with that of 2021. Our average inventory turnover days for the year ended 31 December 2023 was approximately 62 days which was similar to that of 2022.

Trade and notes receivables

The following table sets out the breakdown of our trade and notes receivables as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	125,878	269,921	285,170
Less: Provision for impairment	(2,338)	(5,155)	(9,193)
Trade receivables, net	123,540	264,766	275,977
Notes receivables	36,636	44,992	50,939
	160,176	309,758	326,916

Our trade and notes receivables represent outstanding balances from our customers in relation to their purchases of our equipment, which are mainly settled by bank transfer or bank acceptance notes. Trade receivables, net of provision for impairment as at 31 December 2021, 2022 and 2023 amounted to approximately RMB123.5 million, RMB264.8 million and RMB276.0 million; respectively; and our notes receivables which represents bank acceptance notes from our customers, amounted to approximately RMB36.6 million, RMB45.0 millions and RMB50.9 million, respectively.

The following table sets forth an ageing analysis of our notes receivables based on due date at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	15,989	17,301	36,310
91 to 180 days	19,297	25,496	14,629
181 days to one year	1,350	2,195	—
	36,636	44,992	50,939

From the ageing analysis above, all of our notes receivables as at 31 December 2023 were aged within six months and majority of our notes receivables as at 31 December 2021 and 2022 were aged within six months. For those notes receivables aged over six months but within 12 months, they only accounted for approximately 3.7% and 4.9% of our notes receivables as at 31 December 2021 and 2022, respectively. As at 31 December 2023, over 85% of the notes receivables were bank acceptance notes which the acceptance banks shall make unconditional payment of money to the payee upon maturity; and the remaining balance of approximately RMB6.5 million were trade acceptance notes issued by our customers who are listed companies, state-owned enterprises and/or their subsidiaries or affiliates, which our Director believe they are financially sound with low default risk.

Our Group normally accepts note receivables from customers as a payment method which is in line with our contract terms. As confirmed by F&S, it is common in the industry that equipment manufacturers accept note receivables as settlement of balance due from customers with note receivables with maturity date up to 12 months. Our Directors has also considered various factors for accepting notes receivables with maturity date up to 12 months, which included (i) maintaining a long-standing business relationships with our customers; (ii) for customers that may not be able to provide immediate settlement, accepting a relatively longer-term note receivables may be the only way for us to secure payment; (iii) accepting a longer-term note receivables may bring us a competitive advantage over our competitors in obtaining new contracts from our customers; and (iv) there was no history of default and past due amounts on our notes receivables during the Track Record Period. In view of the counterparty of majority of our notes receivables were banks and financial institutions with the remaining balances consisted of trade acceptance notes which were issued by our customers who are listed companies, state-owned enterprises and/or their subsidiaries or affiliates, our Directors consider the risk of default is relatively low, and the loss allowance on our notes receivables was assessed to be minimal as at 31 December 2021, 2022 and 2023.

Our Group's trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. We generally grant our customers credit term up to three months. Our Group may determine and allow a longer credit period on a case-by-case basis, after taking into account various factors, including customers' background and operational scales, financial conditions, their demand of our products, contract size, business relationships with us, their past settlement history and the prevailing market conditions. We may also allow a more generous credit period to our market-leading customers or customers who are either (i) listed companies (include those enterprises listed on NEEQ) and/or state-owned enterprises ("**SOE(s)**"); or (ii) subsidiaries and/or affiliates of listed companies and/or SOEs, which our Directors believe they are financially sound with low default risk, with a view to developing long term business relationship with them and increasing our market penetration during the COVID-19 pandemic.

For instance, we have extended credit term of up to 180 days to Guizhou Jinze and Customer F during the Track Record Period. Credit period to Guizhou Jinze is extended up to 180 days and this is determined after taking into account: (i) Guizhou Jinze is a new customer in 2021 and an affiliate company of a SOE; (ii) a sale contract with Guizhou Jinze with contract sum (inclusive of VAT) of RMB15.0 million is considered as relatively large-size contract in 2021 and 50% payment in advance is required prior to our delivery of our equipment; and (iii) the prevailing market condition during the COVID-19 pandemic. Credit period to Customer F is also up to 180 days, after considered that: (i) our Group have a long term business relationships with Customer F since 2012; (ii) it is a sizable company with over 2,000 employees and has long historical standing since 1993; (iii) sale contracts with Customer F with aggregate contract sum (inclusive of VAT) of approximately RMB13.0 million is considered as significant during our Track Record Period; and (iv) the prevailing market condition during the COVID-19 pandemic.

Our Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. We do not hold any collateral or other credit enhancements over our trade receivables balances.

The following table sets forth an ageing analysis of our trade receivables (net of loss allowance), based on the date when we obtains the unconditional rights for payment as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	80,970	144,521	122,873
91 to 180 days	9,777	49,815	56,045
181 days to 1 year	11,040	47,620	72,707
Over 1 year but within 2 years	16,541	14,455	11,289
Over 2 years but within 3 years	4,514	7,475	10,673
Over 3 years but within 4 years	698	880	2,390
	123,540	264,766	275,977

Our trade receivables, net of loss allowance increased by approximately RMB141.3 million from approximately RMB123.5 million as at 31 December 2021 to approximately RMB264.8 million as at 31 December 2022, as a result of more sales made upon delivery of our products in last quarter of 2022 of approximately RMB169.6 million as compared to 2021 of approximately RMB115.5 million. Our trade receivables, net of loss allowance increased by approximately RMB11.2 million to approximately RMB276.0 million as at 31 December 2023, which was mainly attributable to increase of our revenue for the year ended 31 December 2023 and certain amounts of which were not due for settlement by the end of the reporting period.

Based on the ageing analysis above, the proportion of our trade receivables over one year over the total balance of trade receivables as at 31 December 2021 was approximately 17.6%. Following to our business development and increase in our revenue during the Track Record Period, our Group has established and implemented appropriate supervisory policy over long aged trade receivables with the aim to improve the risk management on recoverability. The proportion of our trade receivables over one year over the total balance of trade receivables as at 31 December 2022 and 2023 was maintained at a similar level of approximately 8.6% and 8.8%, respectively.

The following table sets forth a summary of our average trade and notes receivables turnover days for the years indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
Average trade receivables turnover days[(1)]	146	169	181
Average notes receivables turnover days[(2)]	52	35	32
Average trade and notes receivables turnover days[(3)]	198	205	214

Notes:

(1) Average trade receivables turnover days are calculated by dividing the average of the opening and closing balance of trade receivables, net of impairment provision for the relevant year divided by total revenue for the relevant year and multiplying the resulting value by the number of days for the relevant year.

(2) Average notes receivables turnover days are calculated by dividing the average of the opening and closing balance of notes receivables for the relevant year divided by total revenue for the relevant year and multiplying the resulting value by the number of days for the relevant year.

(3) For illustrative purposes, average trade and notes receivables turnover days are calculated by dividing the average of the opening and closing balance of trade and notes receivables, net of impairment provision for the relevant year divided by total revenue for the relevant year and multiplying the resulting value by the number of days for the relevant year.

Our average trade receivables turnover days was approximately 146 days, 169 days and 181 days for the years ended 31 December 2021, 2022 and 2023, respectively. Such fluctuation was mainly attributable to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to different credit periods granted by us as well as different settlement practices of our customers.

The increase of average trade receivables turnover days for the year ended 31 December 2022 was due to increase of trade receivables balance as at 31 December 2022 as compared to 2021 mainly attributable to (i) a significant increase in sales from approximately RMB248.0 million for the year ended 31 December 2021 to approximately RMB419.1 million for the year ended 31 December 2022 and certain amounts of trade receivables arose had not reached the settlement stage as at the end of reporting period; (ii) a relatively slower collection of trade receivables as special arrangement during the COVID-19 pandemic as our Directors considered that our customers took a longer time to arrange settlement due to temporary travel restrictions or lockdown measures; and (iii) the increase in sales to SOEs and listed company customers who generally have longer settlement periods as they typically have onerous internal fiscal budget and settlement procedures. For the year ended 31 December 2021 and 2022, approximately 62.7% and 82.8% of our revenue was derived from sales with SOEs and listed company customers, respectively; and as at 31 December 2021 and 2022, approximately 65.4% and 81.7% of our trade and note receivables (net of allowance) were due from SOEs and listing company customers. It is confirmed by F&S that, it is an industrial norm that the payment approval process for PRC SOEs are typically complicated and time consuming.

For the year ended 31 December 2023, our average trade receivables turnover days increased to approximately 181 days from approximately 169 days for the year ended 31 December 2022. This is because (i) we recorded further increase of revenue from SOEs and listed company customers for the year ended 31 December 2023, which accounted for approximately 83.2% of our total revenue. As at 31 December 2023, approximately 82.8% of our trade and note receivables (net of allowance) were due from SOEs and listed company customers; and (ii) we recorded a relatively higher revenue of approximately RMB169.6 million during the last quarter of 2022 as compared to that of RMB158.4 million during the last quarter of 2023 while certain amount of which were not due for settlement, resulting in a relatively large balance of trade receivables as at 31 December 2022 being carried forward to 2023, as compared to that of 2023 receivables balances carried forward to 2024.

Our average notes receivables turnover days was approximately 52 days, 35 days and 32 days, respectively, for the years ended 31 December 2021, 2022 and 2023 which was relatively stable and within the maturity date of most of our notes receivables.

As a result of the above, we recorded an increasing trend of our overall average trade and notes receivables turnover days from approximately 198 days for the year ended 31 December 2021 to approximately 205 days for the year ended 31 December 2022; and further increased to approximately 214 days for the year ended 31 December 2023.

The following table sets forth a summary of our average trade and notes receivables turnover days for (i) customers with listed company and/or SOEs background ("**SOEs and listed company customers**") and (ii) non-SOEs customers ("**Non-SOEs customers**") for the years indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
SOEs and listed company customers[(1)]	208	190	211
Non-SOEs customers	181	277	226

Note:

(1) Included listed companies, SOEs and subsidiaries and/or affiliates of listed companies and/or SOEs based on public information.

Average trade and notes receivables turnover days for SOEs and listed companies customers for the years ended 31 December 2021, 2022 and 2023 are maintained at a similar level of approximately 208, 190 and 211 days.

Our average trade and notes receivables turnover days for SOEs and listed company customers further increased to approximately 211 days for the year ended 31 December 2023 because (i) we recorded increased revenue of approximately RMB125.0 million for the year ended 31 December 2023, among which, approximately 83.2% was related to sales of equipment to SOEs and listed company customers while certain amount of which were not due for settlement; and (ii) high demand of our equipment during the fourth quarter of 2022, led to a relatively large balance of trade receivable as at 31 December 2022 carried forward to 2023. We recorded increase of trade receivables balance due from SOEs and listed company customers, accounting for approximately 82.8% of our trade and notes receivables as at 31 December 2023 while approximately 81.7% of that as at 31 December 2022. Our Directors confirm that there had been no material payment defaults in our trade receivables from SOEs and listed company customers during the Track Record Period.

Average trade and notes receivables turnover days for Non-SOEs customers increased from approximately 181 days for the year ended 31 December 2021 to approximately 277 days for the year ended 31 December 2022. This is a combining result of decrease in our revenue from Non-SOEs customers for the years ended 31 December 2022 as compared to 2021. Revenue from our Non-SOEs customers has accounted for approximately 37.3% and 17.2% of our total revenue for the years ended 31 December 2021 and 2022, respectively; while we recorded an increase of trade and notes receivables from our Non-SOEs customers during 2022 mainly due to the increase in net trade receivables aged over one year from approximately RMB5.3 million as at 31 December 2021 to approximately RMB7.7 million, which we believe was due to the slowdown of payment process during the COVID-19 pandemic. Net trade receivables aged over one year from our Non-SOEs customers has accounted for approximately 22.7% of total trade receivables from our Non-SOEs customers as at 31 December 2022 which is higher than that of approximately 13.5% as at 31 December 2021.

Our average trade and notes receivables turnover days for Non-SOEs customers decreased to approximately 226 days for the year ended 31 December 2023, which reflected our continuous effort to follow up the settlement from our customers.

Our Directors are of the view that, our range of average trade receivables turnover days during the Track Record Period is in line with common practice in the market. According to the F&S Report, equipment providers usually have a relatively long average trade receivables turnover days as customers of them (including owners of production facilities, contractors and equipment manufacturers which fits the description of most of our customers) tend to significantly delay with the payment of receivables upon the completion of their construction projects and that industry players would have to adopt various methods to collect payment. Hence, it is customary for equipment providers to extend their credit terms to their customers. We will continue our payment collection methods at a certain period after the expiry of our customers' credit period, as per our trade receivables collection policy. Moreover, the average trade and notes receivables turnover days in this industry was at around 100 to 350 days and our Group's overall average trade and notes receivables turnover days and average trade and notes receivables turnover days by SOEs and listed company customers and Non-SOEs customers are both within the industry range.

The following table sets forth an ageing analysis of our trade receivables based on due date, as at 31 December 2022 and the subsequent settlement of it as at the Latest Practicable Date:

	Trade receivables, gross as at 31 December 2022		**Subsequent settlement up to the Latest Practicable Date**	**Percentage of subsequent settlement up to the Latest Practicable Date**
	RMB'000	*%*	*RMB'000*	*%*
Current	145,578	53.9	145,578	100.0
Within 180 days	89,961	33.3	79,893	88.8
181 days to 1 year	14,490	5.4	9,121	62.9
Over 1 year but within 2 years	12,596	4.7	11,088	88.0
Over 2 years	7,296	2.7	4,036	55.3
	269,921	100.0	249,716	92.5

The following table sets forth an ageing analysis of our trade receivables based on due date, as at 31 December 2023 and the subsequent settlement of it as at the Latest Practicable Date:

	Trade receivables, gross as at 31 December 2023		Subsequent settlement up to the Latest Practicable Date	Percentage of subsequent settlement up to the Latest Practicable Date
	RMB'000	*%*	*RMB'000*	*%*
Current	123,971	43.5	59,225	47.8
Within 180 days	122,246	42.9	51,383	42.0
181 days to 1 year	13,144	4.6	3,702	28.2
Over 1 year but within 2 years	17,160	6.0	2,413	14.1
Over 2 years	8,648	3.0	1,514	17.5
	285,169	100.0	118,237	41.5

As at the Latest Practicable Date, approximately RMB249.7 million or 92.5% of our gross trade receivables as at 31 December 2022 were subsequently settled; and approximately RMB118.2 million or 41.5% of our gross trade receivables as at 31 December 2023 were subsequently settled.

Based on the ageing analysis above, the aggregate proportion of balances not yet past due and balances overdue within one year as at 31 December 2023 was similar to that as at 31 December 2022, which accounted for over 90% of our total gross trade receivables as at the respective date. The proportion of balances overdue within 180 days increased from approximately 33.3% as at 31 December 2022 to approximately 42.9% as at 31 December 2023, which was mainly due to more sales made upon delivery of our products in second half of 2023 of approximately RMB330.2 million as compared to 2022 of approximately RMB218.8 million.

As at the Latest Practicable Date, approximately 44.1% of the balances overdue within one year as at 31 December 2023 were subsequently settled. The proportion of balances overdue over one year as at 31 December 2023 slightly increased from approximately 7.4% as at 31 December 2022 to approximately 9.0% as at 31 December 2023. Among the gross balances overdue over one year as at 31 December 2023 of approximately RMB25.8 million, over 62% of it was due from SOEs and listed company customers which our Directors believe they are financially sound with low default risk. For the balances overdue over two years from Non-SOEs customers, based on our Group's credit policy, provision for impairment has been made for around 50% of such balances. As at the Latest Practicable Date, approximately RMB3.9 million of the gross trade receivable balances overdue over one year as at 31 December 2023 were subsequently settled.

Having considered (i) the ongoing settlement payments received from our customers for balances overdue without material increase in the proportion of our trade receivables overdue over one year as at 31 December 2023 as compared to that as at 31 December 2022; (ii) approximately 44.1% of the balances overdue within one year as at 31 December 2023 were subsequently settled, although the proportion of balances overdue within 180 days increased to approximately 42.9% as at 31 December 2023; (iii) over 62% of the balances overdue over one year as at 31 December 2023 was due from SOEs and listed company customers with low default risk; and (iv) provision for impairment has been already made for around 50% for balances overdue over two years due from Non-SOEs customers, our Directors are of the view that there will not be any material collection problem on the overdue balances and the provision for impairment is considered to be adequate.

The following table set forth our trade receivables based on due date and overdue over one year by (i) SOEs and listed company customers and (ii) Non-SOEs customers as at 31 December 2023 and the subsequent settlement as at the Latest Practicable Date:

	Credit period granted	Gross trade balances overdue over one year as at 31 December 2023 *RMB'000*	Provision for impairment as at 31 December 2023 *RMB'000*	Subsequent settlement as at the Latest Practicable Date *RMB'000*	Percentage subsequent settlement as at the Latest Practicable Date *%*
SOEs and listed company customers:					
— Guizhou Jinze[(1)]	180 days	4,620	(678)	1,000	21.6
— Customer A[(1)]	60 to 90 days	780	(115)	—	—
— Customer J[(1)]	30 days	1,823	(209)	—	—
— Customer C[(1)]	30 to 45 days	722	(82)	—	—
— Other SOEs and listed company customers		8,121	(2,334)	735	9.1
Sub-total		16,066	(3,418)	1,735	10.8
Non-SOEs customers:					
— Customer L[(2)]	90 days	1,297	(648)	—	—
— Other Non-SOEs customers		8,445	(2,403)	2,192	26.0
Sub-total		9,742	(3,051)	2,192	22.5
Total		25,808	(6,469)	3,927	15.2

Notes:

(1) Details of background of and our relationships with Guizhou Jinze, Customer A, Customer C and Customer J are disclosed in sections headed "Business — Our Customer — Our five largest customers" in this prospectus.

(2) Customer L is a privately-owned PRC company located in Ningbo city, mainly engaged in the trading of equipment, with its business coverage based in the PRC. The company was established in 2017 with a registered capital of RMB10 million with less than 50 employees. As at the Latest Practicable Date, trade receivables due from Customer L were subject to legal action and have been concluded at the courts for settlement.

Recoverability for trade receivables overdue over one year as at 31 December 2023

As at 31 December 2023, we recorded gross trade receivables overdue over one year of approximately RMB25.8 million which accounted to approximately 9.0% of our total gross trade receivables, among which, approximately RMB16.1 million or approximately 62.4% of such balances were due from our SOEs and listed company customers; while remaining of approximately RMB9.7 million or approximately 37.6% were due from our Non-SOEs customers.

As mentioned above, it is a common industry phenomenon for customers to significantly delay with the payment of receivables upon the completion of their construction projects and it is customary for equipment providers to extend their credit terms to their customers. To the best knowledge of our Directors after making reasonable enquiries, the delay in payment is mainly due to (i) the lengthy internal payment process of customers; (ii) temporary stringent cash flow; (iii) quality issues arising from customers within the warranty period. It is our Group's general policy that no sales return is accepted after the formal acceptance of our equipment by our customers. We provide warranty period from one to two years from the date our customer accepted the products. If quality issues such as defects on parts and components of equipment are found by our customers during the warranty period, we will replace or repair the defective parts. During the Track Record Period, we have not issued any equipment recalls due to defects; and (iv) our equipment delivered to customer were not in operation yet due to delay in whole projects and/or the construction of other parts of the production facilities where our equipment only constituted a part of the project or production facilities; or disruption under COVID-19 pandemic, causing a delay in payment.

Our Directors are of the view that there is no recoverability issues for our trade receivables overdue over one year as at 31 December 2023 and there is sufficient provision, on the following basis:

- the amount of provision on trade receivables is measured by applying a scientific assessment model, in which various considerations have been included under the ECL model, such as the future economic forecasts, credit risk of debtors, historical data and inflation rate. Our Directors consider the assessment model has provided a concrete basis to formulate the amount of provision;

- despite being over a seemingly longer recovery period, in generally terms, we can subsequently settle most of our trade receivables. As at the Latest Practicable Date, approximately RMB113.6 million or 90.3%, RMB249.7 million or 92.5% and RMB118.2 million or 41.5% of our gross trade receivables as at 31 December 2021, 2022 and 2023, respectively, had been subsequently settled. Such subsequent settlement of trade receivable rate was calculated as the percentage of subsequent settlement amount (gross amount) to trade receivables (gross amount) as at 31 December 2021, 2022 and 2023, respectively;

- based on the ageing analysis by due date set out above, there is no material increase in the proportion of our trade receivables overdue over one year as at 31 December 2023 as compared to that of 31 December 2022;

- among the trade receivables as at 31 December 2023, approximately RMB16.1 million or 62.4% of our gross trade receivables overdue over one year were associated with SOEs and listed company customers. In light of (i) the sound creditability of the SOEs and listed company customers; (ii) continuous repayments made by them subsequent to the Track Record Period; (iii) some of the SOEs and listed company customers have on-going projects with our Group as at the Latest Practicable Date; and (iv) the relationship of the SOEs and listed company customers with our Group, our Directors believe that we have no recoverability issue for our trade receivables overdue over one year from our SOEs and listed company customers. In addition, as confirmed by F&S, although it is an industry norm that the payment approval process for SOEs and listed company customers are typically complicated and time consuming, SOEs and listed company customers with sound financial positions generally have low recoverability issues;

- approximately RMB9.7 million of gross trade receivables overdue over one year as at 31 December 2023 were due from 31 Non-SOEs customers, among which, (i) approximately RMB3.5 million subject to legal action were owed to us from four Non-SOEs customers (including Customer L), which had been either judged at first instance, concluded at the courts, or enforcements had been applied for settlement; and provision of approximately RMB1.5 million is made; (ii) approximately RMB0.6 million were fully impaired for six Non-SOEs customers; and (iii) remaining gross trade receivables of approximately RMB5.6 million was provided with impairment provision of approximately RMB1.0 million, due from 21 Non-SOEs customers. As at the Latest Practicable Date, approximately RMB2.2 million were subsequently settled from these Non-SOEs customers. Our Directors considered there is no recoverability issue on such remaining unsettled balance from our Non-SOEs customers as (i) these companies maintains stable business operations and is financially sound, to the best knowledge of our sales team based on our communication with customers; (ii) the ongoing settlement payments received from customers during the last 24 months;

- our overall average trade and notes receivables turnover days and our average trade and notes receivables turnover days by SOEs and listed company customers and Non-SOEs customers were both within such range of industry peers. We recorded increasing trend of our overall average trade and notes receivable turnover days for SOEs and listed company customers during the Track Record Period as a result of our increased sales with SOEs and listed company customers during the Track Record Period and resulting in increased trade receivables due from SOEs and listed company customers who generally have longer settlement periods as they generally have onerous internal fiscal budget and settlement procedures. However, in light of the abovementioned, our Directors believe our Group will be able to recover the unsettled balances in due course. We recorded a decrease in our overall average trade and notes receivable turnover days for Non-SOEs customers from approximately 277 days for the year ended 31 December 2022 to approximately 226 days for year ended 31 December 2023 which reflected our continuous effort in chasing settlement from our customers. In addition, during the Track Record Period, we did not experience any material difficulties in collecting trade receivables from our customers;

- our Directors confirm there was no material disagreement or dispute between us and our customers which could adversely affect the recoverability of the trade receivables that remained unsettled; and we had not encountered any material bad debts being written off or any payment default that would lead to a materially adverse impact on our financial condition during the Track Record Period; and

- our management closely monitors the amounts and turnover days for our trade receivables to minimise and control credit risk. Our management also reviews the outstanding balance with our customers at regular intervals to ascertain the collectability of our trade receivables and where necessary, our team may follow up on overdue balances from customers and the collection status would be required to be reported to our management on a regular basis. We would also consider to escalate to legal action if our debt recovery actions for trade receivables could not reach our expectations.

Based on the aforesaid, our Directors believe that we have no material recoverability issue for our trade receivables overdue over one year and we have made sufficient loss allowance provisions for trade receivables to mitigate the uncertainties associated with the outstanding amount and continue to make sufficient provisions to account for any potential write-offs and contingent factors.

In order to strengthen our credit control and improve the recoverability of our trade receivables, our Group have implemented the following measures:

(a) review the trade receivables ageing report and settlement status of overdue balances on a quarterly basis by finance department and sales department; and relevant follow-up actions shall be performed under the supervision of finance director;

(b) conduct customer acceptance assessment for new customers, including their background, size and scale of operations, financial conditions and the finance department shall grant credit terms with reference to this assessment;

(c) perform credit assessment on existing customers on a half-year basis based on updated customers' information, including but not limited to updated market information, historical payment record and ageing analysis;

(d) restriction would be imposed before accepting new orders from those customers with overdue trade receivables balances beyond their respective credit limits.

As at 31 December 2021, 2022 and 2023, we had total loss allowance for impairment on trade receivables of approximately RMB2.3 million, RMB5.2 million and RMB9.2 million, respectively. Our Group provided appropriate and sufficient expected credit losses ("**ECL**") on trade receivables. We determined ECL on trade receivables on an individual basis for customer with high credit risk based on our Group's historical credit loss experience of different customer portfolio (i.e. those trade receivables which had been past due over four years with no settlement within one year are provided with full impairment as our Directors consider such recoverability is low).

We determined ECL on the remaining trade receivables on a collective basis using a provision matrix, estimated by internal credit rating considering the information of the customers, historical settlement pattern and default rates over our trade receivables and ageing of the trade receivables. The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of our customers to settle their receivables. We have identified GDP to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Our Group's expected credit loss rate is then based on the historical loss rate calculated by the migration rate model and adjusted for forward-looking factors on this basis. According to the balance of trade receivables in the past five years, we distinguishes the characteristics of different business risks, and calculates the migration rate of trade receivables in each age group based on the average migration rate of three years. We had made 100% credit loss rate for our trade receivables aged over four years. For details of ECLs for trade receivables, please refer to note 25 to the Accountants' Report set out in Appendix I to this prospectus.

Our Group recorded an increase in loss allowance for impairment on trade receivables from approximately RMB2.3 million as at 31 December 2021 to approximately RMB5.2 million as at 31 December 2022. This is mainly due to (i) the increase of weighted average expected credit loss rate to approximately 1.91% as at 31 December 2022 from approximately 1.86% as at 31 December 2021; (ii) increased trade receivables as at 31 December 2022 as a result of more sales was recognised in last quarter of 2022 as compared to 2021; (iii) a relatively slower settlement pattern of overall trade receivables which reflected our longer average trade and note receivables turnover days by 2022; and (iv) the increase in trade receivables aged over four years as compared to 2021, which fully impairment was provided.

The overall weighted average expected credit loss rate increased to approximately 3.22% as at 31 December 2023 from approximately 1.91% as at 31 December 2022 was mainly because our 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 2023 as compared to that as at 31 December 2022, in particular, as at 31 December 2023 and 2022, trade receivables aged over one year accounted for approximately 11.0% and 9.6%, respectively, of total gross trade receivables.

Contract assets and contract liabilities

The following table sets out the breakdown of our contract assets as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	22,579	37,097	51,189
Less: Allowance for expected credit losses	320	869	2,243
	22,259	36,228	48,946
Contract liabilities	17,656	89,260	76,037

Contract assets

We generally provide our customers with warranty period from one to two years from the date which our performance obligation has been satisfied in accordance with the terms specified in the contracts, our customers will usually withhold 5%–10% of contracts sum as retention money which are payable to us when the warranty period expired. Our contract assets represented such retention receivables arising from our sale of equipment business which are unsecured and interest-free. The retention receivables will be released and reclassified to trade receivables on the date when the warranty period have expired. We shall issue bills to our customers in relation to the receivables of retention monies. For details of our trade receivables, please refer to "Trade and notes receivables" in this section.

As at 31 December 2021, 2022 and 2023, our contract assets amounted to approximately RMB22.3 million, RMB36.2 million and RMB48.9 million, respectively. Such increase corresponded to (i) our growth in business as reflected in our revenue growth during the Track Record Period; and (ii) the increase in the number of sizable contracts with relatively larger contract sums which generally required longer warranty period.

The following table sets out an ageing analysis of our contract assets (gross) as at the dates indicated and their subsequent transfer to trade receivables up to the Latest Practicable Date:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	13,162	19,148	26,269
One to two years	9,417	17,949	24,920
	22,579	37,097	51,189

As at the Latest Practicable Date, approximately RMB4.4 million, representing approximately 8.6% of our contract assets as at 31 December 2023 had been transferred to trade receivables upon the expiry of warranty period and were billed to our customers properly.

Please refer to the below about the credit risk exposure of our Group's contract assets as at the date indicated:

	As at 31 December		
	2021	**2022**	**2023**
Expected credit loss rate	1.4%	2.3%	4.4%
Gross carrying amount *(RMB'000)*	22,579	37,097	51,189
Expected credit losses *(RMB'000)*	320	869	2,243

Our Group recorded an impairment provision for contract assets of approximately RMB2.2 million as at 31 December 2023. An impairment analysis is performed by our Group at each reporting date using a probability of default model to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on historical data adjusted by forward looking information. Our Directors are of the view that there is no material recoverability issue for our contracts assets and that adequate provisions had been made during the Track Record Period on the following basis:

- retention receivables are generally reclassified to trade receivables at the end of the warranty period and therefore, our Directors considered that there is no recoverability issue for our retention receivables;

- as at the Latest Practicable Date, our contract assets as at 31 December 2023 are within the warranty period stipulated in the relevant sale contracts;

- our Group was not subject to any material claims for defect liability from our customers during the warranty period of our products during the Track Record Period; and

- additionally, our retention receivables generally increased during the Track Record Period primarily due to our business growth with relatively larger contracts obtained which would also impact our contract assets aged over one year.

Contract liabilities

Our contract liabilities represent the advance payment received from our customers for sale of products before the delivery of products.

Our contract liabilities increased from approximately RMB17.7 million as at 31 December 2021 to approximately RMB89.3 million as at 31 December 2022, which was mainly attributable to more advanced payment from customers pursuant to new contracts with relatively larger contract sum, such as approximately RMB43.8 million was received from an oversea customer for a new contract of sales of process burners entered into by late 2022. Our contract liabilities decreased by approximately RMB13.3 million to approximately RMB76.0 million as at 31 December 2023, followed by the delivery of our products and recognition of revenue during the late 2023.

As at the Latest Practicable Date, approximately RMB31.0 million or 40.8% of our contract liabilities as at 31 December 2023 were subsequently recognised as revenue.

Prepayments, other receivables and other assets

The following table sets out the breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advances to our staff	1,957	2,189	2,833
Deposits	6,798	7,816	7,228
Prepayments	8,203	16,262	22,286
Prepayments for listing	5,105	7,577	10,422
Other receivables	4,263	2,926	3,556
Amounts due from our Controlling Shareholders[(1)]	510	5,909	9,847
Other current assets	413	446	2,650
	27,249	43,125	58,822
Impairment	(456)	(501)	(464)
	26,793	42,624	58,358

Note:

(1) Amounts due from our Controlling Shareholders are unsecured, interest-free and repayable on demand. All outstanding amounts due from our Controlling Shareholders as at 31 December 2023 have been settled as at the Latest Practicable Date.

Advances to our staff

Our advances to staff amounted to approximately RMB2.0 million, RMB2.2 million and RMB2.8 million as at 31 December 2021, 2022 and 2023, respectively, which mainly represent the advances to staff prior to expenses incurred by them for the purpose of our operation of business and business development. Such balance mainly fluctuate with the number of our staff and business trips; and the amount of cash advance they would request.

Deposits

Our deposits mainly represent (i) deposits we placed for contract tendering and (ii) other deposits. Our deposits of bidding for contracts amounted to approximately RMB6.6 million, RMB7.6 million and RMB6.7 million, respectively, as at 31 December 2021, 2022 and 2023. The overall increase was mainly because we have participated more bidding that involved larger contracts sum and which required us to pay a relatively higher amount of deposits for bidding. This is consistent to the increase of contract sum of tenders we submitted during the years.

Prepayments

Prepayments amounting to approximately RMB8.2 million, RMB16.3 million and RMB22.3 million as at 31 December 2021, 2022 and 2023, respectively, mainly represented prepayments to our suppliers for purchase of materials and components and outsourcing services. Such increase was generally in line with the increasing ending value of our backlog as at the year end and our anticipation of greater market demand of our products. Our backlog as at 31 December 2021, 2022 and 2023 and the Latest Practicable Date amounted to approximately RMB186.5 million, RMB409.0 million, RMB366.5 million and RMB413.1 million, respectively.

Other receivables

As at 31 December 2021 and 2022, our other receivables mainly consisted of (i) rental receivables of approximately RMB0.3 million and RMB0.5 million, respectively; (ii) a receivable of RMB0.7 million for referral and sourcing service of overseas business opportunities in 2020 but subsequently terminated in 2021 due to COVID-19 pandemic. Such balance was fully settled in 2021; and (iii) non-trade cash advance to third parties of approximately RMB2.7 million and RMB1.8 million, respectively.

During the years ended 31 December 2021 and 2022, our non-trade cash advances were made to (i) a privately-owned company in the PRC with whom Mr. Lu Bo had personal connections, for their personal use of short-term capital needs, with balance of approximately RMB0.9 million and nil as at 31 December 2021 and 2022, respectively (outstanding amounts as at 31 December 2021 have been fully settled during 2022); to the best knowledge of our Directors after making reasonable enquiries, the company was an Independent Third Party; and (ii) Mr. Ye Hong of RMB1.8 million and RMB1.8 million as at 31 December 2021 and 2022, respectively for his personal use of short-term capital needs. Mr. Ye Hong is a personal friend of Mr. Lu Bo and the ultimate beneficial owner of our Group's financial adviser, namely Shanghai Xinda Investment Consulting Limited, a PRC company principally engaged in investing consulting, business consulting and corporate management consulting business and were engaged by us in assisting our Group throughout the IPO process from July 2019 to March 2023. To the best knowledge of our Directors after making reasonable enquiries, Mr. Ye Hong is an Independent Third Party and such receivables have been fully settled as at the Latest Practicable Date and we do not intend to advance cash to Mr. Ye Hong in the future.

As at 31 December 2023, our other receivables of approximately RMB3.6 million, mainly consisted of (i) rental receivables of approximately RMB0.3 million; (ii) non-trade cash advance to Mr. Ye Hong of RMB1.8 million which have been fully settled as discussed above; and (iii) our non-trade cash advances made to two privately-owned company in the PRC with whom Mr. Lu Bo had personal connections, for their personal use short-term capital needs, with total balances of approximately RMB1.3 million as at 31 December 2023. Our Directors confirmed that such amounts will be settled before Listing.

Under the General Lending Provisions (《貸款通則》) (the "**Provisions**"), only financial institutions may legally engage in the business of extending loans. However, pursuant to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), that became, effective on 1 September 2015 and latest amended on 29 December 2020, loans among companies are valid if extended for purposes of financing production or business operations, except for circumstances resulting in a void agreement stipulated in the Civil Code of the PRC. Our PRC Legal Adviser are of the view that (i) the Provisions principally regulate financial institutions as to their business of loans, financing arrangements between other civil entities are generally regulated by the Civil Code of the PRC; and (ii) our non-interest bearing financing arrangement with the related parties and/or third parties for purposes of financing business operations does not violate the applicable provisions of the Civil Code of the PRC or the Provisions. As at the Latest Practicable Date, we had not received any notice of claim or were not subject to any investigation or penalty relating to the cash advance to related parties and/or third parties during the Track Record Period.

As at the Latest Practicable Date, approximately RMB23.6 million or 40.1% of gross amount of prepayment, other receivables and other assets as at 31 December 2023, were subsequently settled/utilised.

Financial assets at fair value through profit or loss

Commercial bank's financing products

Our financial assets at fair value through profit or loss of RMB7.0 million as at 31 December 2021 represent financial products subscribed from licenced banks in the PRC, with non-safeguarded principal and floating income as a means of cash management to generate reasonable return for our idle funds pending deployment of such funds and provide flexibility for our Group's business development plans.

Financial assets at fair value through other comprehensive income

Our financial asset at fair value through other comprehensive income as at 31 December 2021, 2022 and 2023 represented the fair values of our investment in an unlisted entity, namely Ningbo Bomijia Fund LP (寧波柏米嘉股權投資合伙企業(有限合伙)) (the "**Fund**"), which we acquired in 2021. In December 2021, Shanghai Ruiqieer has jointly entered into a partnership agreement ("**Partnership Agreement**") with Ningbo Fermica Private Equity Fund Management Co., Ltd. (寧波弗米迦私募基金管理有限公司) ("**Ningbo Fermica**") and an individual investor, an Independent Third Party, in relation to the formation of the Fund. The initial capital contribution in the amount of RMB20.0 million was made during the year ended 31 December 2021. Ningbo Fermica (as the general partner) and Shanghai Ruiqieer and the individual investor (both as limited partners) have initially agreed to subscribe for 1.5%, 96.5% and 2.0%, respectively of the registered capital of the Fund.

General information of the Fund

(1) Investment strategy and investment method of the Fund

The Fund shall primarily focus on investment in projects and entities involved on environmental protection and energy saving, new energy, new materials, artificial intelligence, big data and life sciences. The investment method of the Fund mainly includes the participation in the investment of sub-funds projects and the equity investment of unlisted enterprises.

(2) Duration of the Fund

The duration of the Fund shall be seven years from initial fund-raisings, including five years of investment period and two years of exit period. It may be extended by unanimous consent of all partners.

Capital contribution and payment

The total initial capital contribution size of the Fund is RMB20.0 million, and Shanghai Ruiqieer (as a limited partner) has contributed in cash in the amount of RMB17.0 million as at the Latest Practicable Date. The capital contribution of each party to the Fund was determined after arm's length negotiation among the partners with reference to the capital needs of the Fund. Our Group has financed this investment with our internal resources.

Management of the Fund

(1) Investment decision-making committee

All investments of the Fund are subject to the review and consideration procedures of the Fund's investment decision-making committee. The Fund takes the investment decision-making committee as the highest decision-making authority for investment and consists of three members appointed by Ningo Fermica (as general partner). The founding members and ultimate beneficial owners of Ningbo Fermica is Mr. Ye Hong with two Independent Third Parties, each held 60%, 35% and 5% of the beneficial interest of Ningbo Fermica, respectively. To the best of our Directors' knowledge, they have extensive experience in the green environmental protection and equipment manufacturing industry and Asia capital markets, with a special area of expertise and network in China. Decisions of the investment decision-making committee shall be approved by two thirds or more of the voting rights of all members.

(2) Fund manager

All partners have unanimously agreed that Ningbo Fermica, the general partner shall be entrusted as the executive partner of the Fund to represent the Fund externally and perform the partnership affairs. Furthermore, all partners unanimously agreed that Silver Saddle Equity Investment Management (Shanghai) Co., Ltd (上海銀鞍股權投資管理有限公司) ("**Silver Saddle**") shall act as the manager of the Fund. To the best of our Directors' knowledge, Silver Saddle is a company established under the laws of the PRC and is principally engaged in investment and management of private equity and venture capital funds. The management team of Silver Saddle has more than 20 years of experience in the industry and possesses in depth professional knowledge in the business, financial and legal professions, and is therefore equipped with professional knowledge as well as resources in the new materials, new energy, life sciences and green environmental protection. The largest shareholder of Silver Saddle is Sinochem International Corporation (shares of which are listed on the Shanghai Stock Exchange), which is a state-owned listed enterprise in the PRC with core competitiveness in agrochemicals, intermediates and new materials, polymer additives, and natural rubber. The limited partners shall take no part in the operation of the Fund or the management or control of its investment and affairs other than as set forth in the Partnership Agreement.

As consideration for the daily operation and investment management services provided by Silver Saddle, all limited partners shall bear and pay the management fee to Silver Saddle through the Fund. The annual management fee paid is charged at 0.5% of the total actual capital contribution of all limited partners to the Fund for the duration of the Fund. The general partner does not bear any management fee.

Distribution and loss sharing

The available profits are agreed to be distributed in the following orders:

(i) each partner will receive distributable profits in proportion to their cash contributions until each partner receives an amount equal to 100% of their cumulative cash contributions;

(ii) the first 80% of the residual distributable profits will then be distributed to each partner in proportion to their actual cash contributions; and

(iii) the remaining 20% of the residual distributable profits will be allocated to the general partner.

Under circumstances where the investment project of the Fund incurs loss, all partners shall bear the losses according to the proportion of their cash contributions.

Transfer of Fund interest

Limited partners shall not transfer, pledge or encumber its interest in the Fund without obtaining the consent of the general partner. In the case of transfer, the transferee shall provide (i) a undertaking to the general partner to undertake that he will comply and be bound by the terms of the Partnership Agreement; (ii) other documents, identifications and information deemed necessary by the general partner; and (iii) a written confirmation to undertake that the proposed transfer will not violate the Partnership Law of the PRC and impede the operation of the Fund. Unless upon unanimous written consent of all limited partners, general partner may transfer its interest to any third party who is not a connected person of the general partner.

To the best of our Directors' knowledge, Silver Saddle was introduced to our Group through Mr. Ye Hong in or around April 2021. Our Directors considered Silver Saddle's investment strategy in new energy and green environmental protection sectors is aligned with our Group's long-term development goal and positioning, and our Group can also ride on the opportunity to expand our existing customers and suppliers network and industrial chain through Silver Saddle's strong network and connections. By participating in the Fund, our Group is able to add versatilities to our existing investment approach and opened us to more potential investment targets in related industries. Hence, our Group decided to enter into the Partnership Agreement for the formation of the Fund with Ningbo Fermica and an individual investor during the year ended 31 December 2021.

To the best of our Directors' knowledge after making reasonable enquiries, other than the non-trade cash advances made to Mr. Ye Hong, Mr. Ye Hong being one of the ultimate beneficial owners of the general partner of the Fund and the ultimate beneficial owner of our Group's financial adviser prior to March 2023, the personal and business relationships with the relevant parties disclosed above, there are no past or present relationships between the general partner and limited partners of the Fund and our Group, our Shareholders, our Directors or senior management, or any of their respective associates the Track Record Period and up to the Latest Practicable Date.

The Fund is established in accordance to Partnership Law (中華人民共和國合夥企業法) of the PRC and the rights and obligations of investors are binding by this law and the Partnership Agreement. According to the Partnership Agreement, the general partner (i.e. Ningbo Fermica) has the discretion and the highest decision making authority for the relevant activities of the Fund, i.e. the investment activities of the Fund that significantly affect the investee's returns for the purpose of HKFRS. Currently, the Fund's investment decision-making committee comprises three members appointed by Ningbo Fermica (the general partner); while Shanghai Ruiqieer and other limited partner do not have such rights. The general partner has the sole discretion to early terminate the Fund during the duration of the Fund.

In addition, neither Shanghai Ruiqieer nor other limited partner of the Fund hold substantive rights to affect the general partner and investment decision-making committees' ability to direct the relevant activities of the Fund, or substantive removal rights to kick out the general partner. The general partner does not require to obtain approval from other investors or other governing body in relation to the partnership affairs. Furthermore, the general partner does not receive a fixed fee. The available profit of the Fund are distributed in the orders as mentioned above under "*Distribution and loss sharing*". The sharing of remaining 20% of the residual distributable profits increase the general partner's exposure to variability of returns from the Fund and which aligns the general partner's interests with those of the other investors. Lastly, the general partner shall be liable for all the liabilities of the Fund with unlimited joint liability while each limited partner are only responsible to the extent of their respective investments.

As such, our Group neither has control nor significant influence over the Fund and the Fund will not be considered as a subsidiary or an associate of our Company, regardless of our Group's level of ownership in the Fund. Although the interests of the Fund held by our Group represent approximately 96.5% of the issued share capital of the Fund as at 31 December 2021, 2022 and 2023, our Group has no control over the Fund's investment decisions and has no significant influence over the Fund. Our Directors also confirmed that the investment is intended to be held for medium to long-term and have elected to designate these investments as financial assets at fair value through comprehensive income.

On 31 December 2021, the Fund's investment decision-making committee has unanimously agreed to participate into a series B funding of Xiamen Zifisense Information Technology Limited (廈門縱行資訊科技有限公司) ("**Xiamen Zifisense**"), a private company in the PRC involving in low-power internet-of-thing (IoT) technology and solution provider, with ZETA, a self-developed low-power wide-area communication technology. Based on ZETA, Xiamen Zifisense has built a complete IoT communication solution and industry application solution, and built the licence-free frequency band LPWAN network in China. Xiamen Zifisense was established on July 2013 with a registered capital of approximately RMB7.6 million. As at the Latest Practicable Date, Xiamen Zifisense was held by several individual investors and Chinese venture capital institutions in the PRC with their respective shareholdings ranged from approximately 0.0374% to 25.6053%, among which, our Fund hold approximately 3.949% equity interest in Xiamen Zifisense with total consideration fully paid of approximately RMB18.0 million. To the best knowledge of our Directors after making reasonable enquiries, the founder of Xiamen Zifisense, being the controlling shareholders of Xiamen Zifisense, is a PRC businessman who is an expert in communication technology industry. Xiamen Zifisense have underwent several series of funding since 2017 from a few Chinese venture capital institutions who focused on investing in start-ups and growing enterprises of emerging industries such as information technology, IoT communication projects, and high-tech innovative companies in the start-up and growth stages. As at the Latest Practicable Date, the registered capital of Xiamen Zifisense is approximately RMB7.6 million and there is around 57 staff in the company. As at 31 December 2022, Xiamen Zifisense recorded positive net asset position based on the audited report for the year ended 31 December 2022.

The fair value of our investments is determined by our Group's share of net asset value of the Fund, which is adjusted to their fair value at the end of each reporting period performed by an external valuer. We recognised a fair value loss of approximately RMB2.3 million for the year ended 31 December 2022, resulting in a decrease of balance of our financial assets at fair value through other comprehensive income to approximately RMB14.7 million as at 31 December 2022. For the year ended 31 December 2023, we recognised fair value loss of approximately RMB0.3 million leading to further decrease of our financial assets to approximately RMB14.4 million as at 31 December 2023. Such fair value loss was mainly attributable to the negative fair value changes in the performance of investment project of the Fund.

In respect of the assessment of the valuation of our financial assets at fair value through other comprehensive income with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have reviewed: (i) the term of investment subscription agreements; (ii) the fair value measurement assessment of the relevant financial assets; and (iii) carefully considered all related information input. We have engaged an independent qualified professional valuer to perform the relevant valuation assessment. Our management team reviewed the external valuer's valuation analysis and results, and they have discussed the basis of the valuation with our Reporting Accountants. Based on the above, our Directors are of the view that the valuation of our Group's level 3 financial instruments is fair and reasonable and the financial statements of our Group is properly stated. Our Reporting Accountants have carried out their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole. Our reporting accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 of Appendix I to this prospectus.

In relation to the valuation analysis performed by our Directors, our Sole Sponsor has (i) discussed with our Company, in particular with the relevant personnel in charge of finance who is familiar with the valuation of the level 3 financial instruments, to understand (a) the nature and details of the financial assets and the procedures performed for such valuation, (b) the methodology, key assumptions and parameters taken into account by our Company for the valuation as advised by the external valuer, and (c) the internal control undertaken for reviewing the relevant valuation; (ii) reviewed the investment subscription agreements; (iii) reviewed the valuation report issued by the external valuer engaged by us and conducted interviewed with the external valuer to understand, among others, (a) its work scope, (b) the valuation procedure, and (c) valuation methodologies, key basis and assumption taken into account when performing the valuation; (iv) reviewed the professional qualification and previous experience of the external valuer through desktop search; and (v) obtained as understanding from the Reporting Accountants on their work in relation to the valuation of financial assets for the purpose of reporting on the historical financial information of our Group, as a whole for the Track Record Period.

Based on the work done by our Directors, the external valuer and the Reporting Accountants, and having considered the relevant due diligence done as stated above, nothing has come to the attention of the Sole Sponsor that would cause the Sole Sponsor to question the valuation analysis performed by our Company on its level 3 financial instruments.

For details of our financial assets at fair value through other comprehensive income and its fair value measurement, please refer to notes 7 and 22 of the Accountants' Report set out in Appendix I to this prospectus.

Our investment and treasury management policies in relation to investment activities include:

- our Board is responsible for the overall planning and evaluation of treasury policy and investments; while our finance team is responsible for the executive and implementation, reviewing and reporting of investment to our Board on a regular basis;

- financial products issued by banks shall be of low risk with reasonable returns and liquidity;

- criteria for selecting financial products and financial assets include our risk exposure, economic development and market conditions, the investment cost, the duration of the investment, the expected benefit and return or the potential loss of the investment, and liquidity;

- investments in financial assets and financial products are subject to a multi-layered approval process involving our finance team and senior management;

- approvals from our finance team and senior management are required for each investment transaction; and

- upon the maturity dates of each investment, designated personnel at our finance team would be responsible for the redemption and disposition of the investments according to the relevant contracts.

We have formulated internal control policies setting out the approval process for our investing activities and the responsible person/for the enforcement of the policies. Our investment decisions are made on a case-by-case basis after due and careful consideration of our cash flow positions and future working capital requirements based on operational needs. Our investment shall not affect our operation activities, working capital requirement and investment in relation to our main scope of business. Each transaction for the purchase for financial products and investment is initiated by our finance team, which should be reviewed by our financial director, and subject to the approval of our Board. After the Listing, any investment in financial assets and products by our Group will be subject to compliance with the relevant applicable requirements under Chapter 14 under the Listing Rules.

Trade and notes payables

Our trade and notes payables mainly consisted of trade payables to (i) suppliers in relation to our purchase of materials and components; and (ii) vendors in relation to our payments incurred in installation fees, transportation fees and consultancy fees. The table below sets forth a breakdown of our trade and notes payables as of the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	104,160	114,752	100,966
Notes payables	2,438	12,042	48,381
	106,598	126,794	149,347

The following table sets forth an ageing analysis of our trade and notes payables based on the invoice date:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	73,479	46,094	102,127
91 to 180 days	14,803	44,017	20,433
181 to 365 days	9,990	21,484	13,341
Over 1 year	8,326	15,249	13,446
	106,598	126,794	149,347

As at 31 December 2021, 2022 and 2023, our trade and notes payables amounted to approximately RMB106.6 million, RMB126.8 million and RMB149.3 million, respectively.

Our trade and notes payables increased by approximately 18.9% from approximately RMB106.6 million as at 31 December 2021 to approximately RMB126.8 million at 31 December 2022, but at a slower rate than our revenue growth for 2022 because we significantly increased the amount of prepayments to our suppliers. Our trade and notes payables increased by approximately 17.7% to approximately RMB149.3 million as at 31 December 2023 as a result of our revenue growth during the year ended 31 December 2023 and increased purchase of materials and components to meet our sales backlog for 2024.

The following table sets forth our average trade and notes payables turnover days for the years indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
Average trade and notes payables turnover days[(1)]	172	149	143

Note:

(1) Average trade and notes payables turnover days are calculated by dividing the average of the opening and closing balances of trade and notes payables for the relevant year by cost of sales for the relevant year and multiplying the resulting value by the number of days for the relevant year.

Average trade and notes payables turnover days were approximately 172 days, 149 days and 143 days for the years ended 31 December 2021, 2022 and 2023, respectively.

Our average trade and notes payables turnover days remained relatively stable at approximately 149 days and 143 days, respectively, for the years ended 31 December 2022 and 2023. Our average trade and notes payables turnover days were relatively higher in 2021 of approximately 172 days, mainly due to relatively high trade and notes payables balances as at 31 December 2021 as a result of more purchase of materials and components for our production in the last quarter of 2021.

As at the Latest Practicable Date, approximately RMB40.8 million or 40.4% of our trade payables as at 31 December 2023 had been subsequently settled. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable, there was no material dispute with our suppliers.

Accruals and other payables

The table below sets out a breakdown of our accruals and other payables as of the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Accrued salaries, wages and benefits	13,193	17,246	22,356
Amounts due to our Controlling Shareholders	33	—	—
Other payables	1,506	3,611	8,107
Other tax payables	7,260	27,625	10,731
	21,992	48,482	41,194

Our accruals and other payables comprised accrued salaries, wages and benefits, amounts due to our Controlling Shareholders, other payables and other tax payables, amounted to approximately RMB22.0 million, RMB48.5 million and RMB41.2 million, respectively, as at 31 December 2021, 2022 and 2023.

Our accruals salaries, wages and benefits was approximately RMB13.2 million, RMB17.2 million and RMB22.4 million as at 31 December 2021, 2022 and 2023, respectively, and such overall increase during the Track Record Period was mainly attributable to the increase in number of our staff and increase in average salary and bonus awarded to them.

Our other payables mainly comprised of (i) payables for acquisition of property, plant and equipment; (ii) accrued expenses and reimbursement payables; (iii) tender deposits received and (iv) input VAT, amounted to approximately RMB1.5 million as at 31 December 2021; and subsequently increased to approximately RMB3.6 million as at 31 December 2022. This is mainly attributable to the increase of tender deposits received from our suppliers in relation to biddings of our contract of approximately RMB0.6 million and the increase of input VAT of approximately RMB0.9 million. Our other payables further increased to approximately RMB8.1 million, mainly due to (i) increase in input VAT from approximately RMB0.9 million as at 31 December 2022 to approximately RMB2.4 million as at 31 December 2023; and (ii) increase in reimbursement payables in relation to the Listing incurred during the year ended 31 December 2023.

Our other tax payables include various government levies and taxes such as VAT, education surtax, urban construction tax, tenure tax, and real estate tax, amounting to approximately RMB7.3 million and RMB27.6 million, respectively, as at 31 December 2021 and 2022. The increasing trend was mainly due to increase in VAT which was consistent to our revenue growth. Our other tax payables decreased from approximately RMB27.6 million as at 31 December 2022 to approximately RMB10.7 million as at 31 December 2023, as a result of settlement of prior year other tax payables balance during the year ended 31 December 2023.

INDEBTEDNESS

As at 30 April 2024, being the latest practicable date for this indebtedness statement, our Group had outstanding indebtedness of approximately RMB115.5 million, which mainly consisted of (i) bank and other borrowings of approximately RMB112.6 million and (ii) lease liabilities of approximately RMB2.9 million.

The following table sets out our indebtedness as at the respective dates indicated:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Non-current				
Bank and other borrowings	33,000	24,000	39,500	42,350
Lease liabilities	—	—	1,904	1,524
	33,000	24,000	41,404	43,874
Current				
Bank and other borrowings	32,748	54,600	82,336	70,211
Amounts due to our Controlling Shareholders	33	—	—	—
Lease liabilities	—	—	2,504	1,387
	32,781	54,600	84,840	71,598
Total	65,781	78,600	126,244	115,472

Bank and other borrowings

As at 31 December 2021, 2022 and 2023 and 30 April 2024, we had total outstanding bank and other borrowings of approximately RMB65.7 million, RMB78.6 million, RMB121.8 million and RMB112.6 million, respectively. The following table sets forth our bank and other borrowings as of the dates indicated:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Secured bank loans	63,000	78,000	88,000	101,350
Secured other loans	—	—	9,982	—
Unsecured bank loans	2,748	600	23,854	11,211
	65,748	78,600	121,836	112,561
Current portion	(32,748)	(54,600)	(82,336)	(70,211)
Non-current portion	33,000	24,000	39,500	42,350

We recorded an increase of bank and other borrowings from approximately RMB78.6 million as at 31 December 2022 to approximately RMB121.8 million as at 31 December 2023, which was mainly attributed to (i) the net increase in use of unsecured banking facilities of approximately RMB23.3 million for procurement under our usual course of business; (ii) the increase in secured other loans of RMB10.0 million provided by a financial institution with the pledge of our properties, plant and equipment to supplement our working capital needs; and (iii) the net increase in secured bank loans of approximately RMB10.0 million.

The following table sets forth the maturity profile of our bank and other borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Within one year or on demand	32,748	54,600	82,336	70,211
In the second year	18,000	24,000	13,100	17,600
In the third to fifth years, inclusive	15,000	—	26,400	24,750
	65,748	78,600	121,836	112,561

For the years ended 31 December 2021, 2022 and 2023, the effective interest rates of our bank and other borrowings ranged from approximately 3.7% to 6.0%; 3.7% to 6.0% and 3.6% to 14.2%, respectively. Our bank and other borrowings were all dominated in RMB.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, our bank and other borrowings were secured by (i) our Group's certain buildings included in property, plant and equipment; (ii) our then investment property; (iii) our Group's certain notes receivables and patents, and (iv) corporate or personal guarantees given by Mr. Lu Bo, Ms. Lu Xiaojing and Mr. Shao Song. For details of collaterals and guarantees of our secured bank borrowings, please refer to notes 17, 18 and 33 to the Accountants' Report in Appendix I to this prospectus.

All personal guarantees provided by Mr. Lu Bo, Ms. Lu Xiaojing and Mr. Shao Song will be released upon Listing or replaced by corporate guarantee given by our Company or our subsidiaries.

Lease liabilities

Lease liabilities represent our obligations under the existing leases. Upon the application of HKFRS 16, as of the lease commencement date, we recognise the corresponding lease liabilities for our right-of-use assets, in respect of all leases unless they are qualified for low value or short-term leases. Our lease liabilities (current and non-current portion) amounted to approximately RMB4.4 million and RMB2.9 million, respectively, as at 31 December 2023 and 30 April 2024, comprised mainly of the lease of office premises and a production facility in the PRC during the year ended 31 December 2023.

Balances with our Controlling Shareholders

Amounts due from/to our Controlling Shareholders are unsecured, interest-free and repayable on demand. Outstanding amounts due from/to our Controlling Shareholders as at 31 December 2023 have been fully settled as at the Latest Practicable Date.

Banking facilities

As at 30 April 2024, being the latest practicable date for this indebtedness statement, we have undrawn banking facilities of approximately RMB46.4 million. Our Directors confirm that we did not experience any material default in repayment of borrowings, breach of covenants nor experience any difficulty in obtaining borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, there were no material covenants relating to our outstanding bank borrowings that would materially limit our ability to undertake additional debt or equity financing necessary to carry out our business plan.

Contingent liabilities

We did not have any material contingent liabilities as at 31 December 2021, 2022 and 2023, respectively.

Save as disclosed above, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material changes in our indebtedness since 30 April 2024 and up to the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period principally consisted of additional items of property, plant and equipment. Our Group incurred capital expenditures of approximately RMB4.5 million, RMB2.1 million and RMB4.7 million for the years ended 31 December 2021, 2022 and 2023, respectively.

CONTRACTUAL OBLIGATIONS

Capital commitments

As at 31 December 2021, 2022 and 2023, our Group did not have any capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the historical financial information.

Other commitments

We did not have any lease contracts that have not yet commenced as at 31 December 2021, 2022 and 2023; and we did not have any other commitments as at 31 December 2021, 2022 and 2023 pursuant to the relevant accounting standards.

OFF-BALANCE SHEET ARRANGEMENTS

Our Directors confirm that we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions with our Controlling Shareholders, details of which are set out in note 38 to the Accountants' Report in Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

LISTING EXPENSES

Assuming an Offer Price of HK$1.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.05 to HK$1.39 per Offer Share and the Over-allotment Option is not exercised, the total estimated Listing expenses in connection with the Global Offering was approximately RMB63.9 million (equivalent to approximately HK$69.6 million), representing approximately 45.6% of the gross proceeds from the Global Offering, comprising (i) underwriting commission and discretionary incentive fee of approximately RMB8.4 million (equivalent to approximately HK$9.2 million); and (ii) non-underwriting-related expenses of approximately RMB55.5 million (equivalent to approximately HK$60.4 million) which include fees paid and payable to legal advisers and the Reporting Accountants of approximately RMB30.1 million (equivalent to approximately HK$32.8 million; and other fees and expenses of approximately RMB25.4 million (equivalent to approximately HK$27.6 million). Such relatively higher percentage of Listing expenses is primarily due to the unexpected and prolonged preparation time before the submission of our Company's listing application as a result of the COVID-19 pandemic, resulting in additional professional fees paid to the professional parties involved in our listing application as well as those outgoing professional parties. Our other fees and expenses of approximately RMB25.4 million mainly represent fees paid and payable to other professional parties involved in the preparation of our listing application, which include sponsorship fees of the Sole Sponsor, fees of industry research expert and internal control consultant, fees paid to the outgoing professional parties as mentioned above and financial advisers fees in relation to pre-IPO preparation.

Among the estimated Listing expenses, (i) approximately RMB20.6 million (equivalent to approximately HK$22.4 million) is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB43.3 million (equivalent to approximately HK$47.2 million) are/will be recognised as expenses in the profit or loss, of which approximately RMB0.8 million (equivalent to approximately HK$0.9 million), approximately RMB2.5 million (equivalent to approximately HK$2.7 million), approximately RMB5.1 million (equivalent to approximately HK$5.6 million), approximately RMB9.4 million (equivalent to approximately HK$10.2 million) and approximately RMB12.6 million (equivalent to HK$13.7 million), have been recognised for the years ended 31 December 2019, 2020, 2021, 2022 and 2023, respectively, and the remaining amount of approximately RMB12.9 million (equivalent to approximately HK$14.1 million) will be recognised subsequent to the Track Record Period. Expenses in relation to the Listing are non-recurring in nature.

We expect to recognise approximately RMB12.9 million (equivalent to approximately HK$14.1 million) in the consolidated profit or loss subsequent to the Track Record Period. Our Directors would like to emphasise that the Listing expenses above are current estimates and are for reference only. The actual amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2024 is subject to adjustment based on audit and the then changes in variables and assumptions and may differ from this estimate.

DIVIDENDS

For the year ended 31 December 2021, our Company declared dividends of approximately USD2.8 million (equivalent to approximately RMB19.3 million) to the then shareholders. All of such dividends have been fully paid as at the Latest Practicable Date. On 29 May 2024, our Company declared to distribute dividends in the total amount of RMB20.0 million to the shareholders in proportion of their shareholding. Dividend payment of approximately RMB9.3 million was settled by offsetting with the amounts due from our Controlling Shareholders as at 31 December 2023, according to the agreement between the parties. Our Directors confirmed that all such declared dividend will be fully settled with internal resources upon Listing.

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our shareholders in a shareholders meeting. Our Directors may recommend a payment of dividends in the future after taking into account our 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 our constitutional documents, applicable laws and regulations and approval of our Shareholders. As our Company is a holding company, our ability to declare and pay dividends will depend on the receipt of sufficient funds from our 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 our Directors.

DISTRIBUTABLE RESERVES

As at 31 December 2023, our Company had no reserves available for distribution to our Shareholders.

KEY FINANCIAL RATIOS

The table below sets out our key financial ratios for the years, or as at the dates indicated:

	Year ended 31 December		
	2021	2022	2023
Return on equity[(1)]	6.4%	15.2%	18.7%
Return on total assets[(2)]	3.1%	6.2%	7.9%
Interest coverage[(3)]	6.4 times	12.8 times	12.4 times
Gross profit margin[(4)]	28.6%	31.7%	35.2%
Net profit margin[(5)]	5.3%	8.7%	10.1%

	As at 31 December		
	2021	2022	2023
Current ratio[(6)]	1.6 times	1.4 times	1.6 times
Quick ratio[(7)]	1.3 times	1.3 times	1.4 times
Gearing ratio[(8)]	31.9%	32.7%	42.8%
Net debt to equity ratio[(9)]	25.5%	23.8%	27.3%

Notes:

(1) Return on equity is calculated based on the profit for the year divided by the total equity at the end of the respective year and multiplied by 100%.

(2) Return on total assets is calculated based on the profit for the year divided by the total assets at the end of the respective year and multiplied by 100%.

(3) Interest coverage is calculated based on profit before interest and tax divided by interest expenses for the respective year.

(4) Gross profit margin is calculated based on the gross profit for the year divided by revenue for the respective year and multiplied by 100%.

(5) Net profit margin is calculated based on the net profit for the year divided by revenue for the respective year and multiplied by 100%.

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

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

(8) Gearing ratio is calculated based on total debts divided by total equity as at the end of the respective year.

(9) Net debt to equity ratio is calculated based on the net debt (including borrowings less cash and cash equivalents) divided by total equity as at the end of the respective year.

Return on equity

Our return on equity increased from approximately 6.4% for the year ended 31 December 2021 to approximately 15.2% for the year ended 31 December 2022, which was mainly due to increase in our profit margin from approximately 5.3% for the year ended 31 December 2021 to approximately 8.7% for the year ended 31 December 2022. Return on equity further increased to approximately 18.7% for the year ended 31 December 2023 mainly attributable to the increase in our net profit for the year ended 31 December 2023.

Return on total assets

Our return on total assets increased from approximately 3.1% for the year ended 31 December 2021 to approximately 6.2% for the year ended 31 December 2022, which was mainly due to the increase in our profit margin for the year ended 31 December 2022. Our return on assets further increased to approximately 7.9% for the year ended 31 December 2023, mainly due to further improvement of our profit margin for the year ended 31 December 2023.

Interest coverage

Our interest coverage increased from approximately 6.4 times for the year ended 31 December 2021 to approximately 12.8 times for the year ended 31 December 2022, which was mainly because the increase of our profit before interest and taxes outweighed our increase of finance cost during the year ended 31 December 2022. Our interest coverage was approximately 12.4 times for the year ended 31 December 2023, which is similar to that of 2022.

Current ratio

Our current ratio remained relatively stable at approximately 1.6 times, 1.4 times and 1.6 times, respectively, as at 31 December 2021, 2022 and 2023, respectively.

Quick ratio

Our quick ratio was approximately 1.3 times, 1.3 times and 1.4 times as at 31 December 2021, 2022 and 2023, respectively, which was generally in line with the fluctuation in our current ratio.

Gearing ratio

Our gearing ratio maintained at relatively similar level at approximately 31.9% and 32.7% as at 31 December 2021 and 2022, respectively. Our gearing ratio increased to approximately 42.8% as at 31 December 2023, mainly due to the increase of our indebtedness as a result of new bank and other borrowings obtained and the recognition of lease liabilities upon the commencement of lease agreements for our office premises and a production facility, during the year ended 31 December 2023.

Net debt to equity ratio

Our net debt to equity ratio was maintained at a relatively similar level at approximately 26.5%, 23.8% and 27.3% as at 31 December 2021, 2022 and 2023.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

During the Track Record Period, we were principally subject to credit risk, liquidity risk, interest rate risk and currency risk arising in the normal course of our business. Please refer to note 6 to the Accountants' Report in Appendix I to this Prospectus.

PROPERTY INTERESTS

Our Directors confirm that, as at 31 December 2023, there were no circumstances that would give rise to a disclosure requirement under Rules 5.0 to 5.1 of the Listing Rules. As at 31 December 2023, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to section headed ''Unaudited Pro Forma Financial Information'' in Appendix II to this prospectus for details.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

See ''Summary — Recent Developments and No Material Adverse Change'' for further details of recent development of our Group. Saved as disclosed in ''Listing expenses'' in this section, our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects of our Company or its subsidiaries since 31 December 2023, being the end of the reporting period set out in the Accountants' Report included in Appendix I to this prospectus, and there has been no event since 31 December 2023 which would materially affect the information shown in Appendix I to the Prospectus.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" of this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$1.22, being the mid-point of the indicative Offer Price range of HK$1.05 and HK$1.39 per Share as stated in the prospectus, and that the Over-allotment Option is not exercised, will be approximately HK$82.9 million (equivalent to approximately RMB76.1 million). We currently intend to apply the net proceeds from the Global Offering in the following manner:

1. Increase our production capacity and capabilities to expand our scale of operation:

   Approximately HK$60.5 million (equivalent to approximately RMB55.5 million), representing approximately 73.0% of the net proceeds from the Global Offering, will be used to partially finance the construction of the New Production Facility with an estimated building area of approximately 45,390 sq.m.. It is planned that the construction will be completed in two phases, with the first phase for the construction of the production compartment for SRU and VOCs incineration equipment and catalytic cracking equipment and ancillary facilities (including warehouses for finished goods and materials and testing facilities); and the second phase for the construction of the administrative office, dormitories and supporting facilities are planned to be completed within the first quarter of 2025 and by the first quarter of 2026, respectively.

   It is expected that major capital expenditure required for constructing the New Production Facility includes (i) the construction cost; (ii) the purchase costs of machinery and equipment; and (iii) installation cost.

   The estimated investment for the New Production Facility would be approximately RMB98.5 million. The estimated investment for the construction costs and capital expenditure for the purchase of machinery and equipment of approximately RMB98.5 million is based on market quotations obtained from a PRC certified cost engineer and equipment providers. We will be relying on the net proceeds from the Global Offering, our internal resources and/or via external financing, with the following detailed items breakdown:

	Net proceeds from the Global Offering to be used		**Total estimated investment cost**
	RMB'million	*HK$'million*	*RMB'million*
Construction cost	49.5	54.0	81.7
Purchase costs of machinery and equipment	6.0	6.5	14.8
Installation cost	—	—	2.0
Total	55.5	60.5	98.5

The following sets out the timeline of our investment in the New Production Facility:

	Investments to be made during each period indicated					
	The Latest Practicable Date to 30 June 2024	**1 July 2024 to 31 December 2024**	**1 January 2025 to 30 June 2025**	**1 July 2025 to 31 December 2025**	**1 January 2026 to 30 June 2026**	**Total**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Construction costs	—	23.9	40.2	5.0	12.6	81.7
Purchase costs of machinery and equipment	—	—	14.8	—	—	14.8
Installation cost	—	—	2.0	—	—	2.0
	—	23.9	57.0	5.0	12.6	98.5

We intend to partially finance the construction cost, purchase costs of the machinery and equipment and installation cost of the New Production Facility of approximately HK$60.5 million (equivalent to approximately RMB55.5 million) by the net proceeds from the Global Offering and the remaining costs of approximately HK$46.9 million (equivalent to approximately RMB43.0 million) will be financed by our internal resources and external financing (if necessary).

It is estimated that approximately HK$6.5 million (equivalent to approximately RMB6.0 million), representing 7.8% of the net proceeds from the Global Offering, will be used to partially finance the purchase costs of the machinery and equipment of the New Production Facility. The following table sets forth the major additional machinery (with an estimated net proceeds to be utilised over RMB1.0 million) we intend to acquire for the New Production Facility:

Machinery	**Function**	**Unit**	**Total estimated purchase costs**
			RMB'million
Double beam bridge crane (雙梁橋式起重機)	Big-size material lifting, hosting, and transportation	7	6.0
Integrated welding fume purification system (集成式焊接煙塵淨化系統)	Welding fumes collecting, processing and later discharging	1	2.6
Other machinery and equipment, which the estimated net proceeds to be utilised for each of them is estimated to be below RMB1.0 million or not			6.2
Total			14.8

2. Further strengthening our design and research and development capabilities:

   Approximately HK$14.5 million (equivalent to approximately RMB13.3 million), representing approximately 17.5% of the net proceeds from the Global Offering, will be used to enhance our design and research and development capabilities, among which:

   (a) approximately HK$2.2 million (equivalent to approximately RMB2.0 million), representing 2.6% of the net proceeds from the Global Offering, will be used to acquire the machinery and equipment of research and development purpose.

(b) approximately HK$10.1 million (equivalent to approximately RMB9.2 million), representing approximately 12.1% of the net proceeds from the Global Offering, will be used for recruitment and expansion of our R&D team. It is planned that the net proceeds will be used for the payment of wages and related social insurance expenses for approximately 18 months after Listing. It is planned that these staff will work at our research and development centres in Shanghai and Luoyang city. The table below sets forth our Group's plan on the additional staff to be employed:

Position	**Expected number of recruits**	**Qualification requirements**
Pipe design technician (配管設計技術員)	4	Bachelor's degree or above; candidates should possess 5–10 years of experience in piping and equipment layout in petrochemical industry, with the ability to design and review piping design plans.
PDMS engineer (PDMS工程師)	1	Bachelor's degree or above, candidates should possess more than 5–10 years of PDMS management experience, with professional soft armor secondary development and integration capabilities.
Pressurised pipe engineer (配管應力工程師)	1	Bachelor's degree or above; candidates should possess 5–10 years of experience in pressurised pipe analyse and have the ability to audit stress analysis.
Production engineer (工藝工程師)	2	Bachelor's degree or above; candidates should possess 5–10 years of experience in process design in petrochemical industry, and the ability to review process plans; one of them is required to design and hold a registered chemical professional certificate.
Static equipment design technician (靜態設備設計技術員)	1	Bachelor's degree or above, candidates should possess 5–10 years of experience in static equipment design and the ability to review proposals.
Boiler design technician (加熱爐設計技術員)	1	Bachelor's degree or above; candidates should possess 5–10 years of experience in boiler design and the ability to review proposals.
Dynamic equipment design technician (動態設備設計技術員)	1	Bachelor's degree or above; candidates should possess more than 10 years of experience in dynamic equipment design and the ability to review proposals.

Position	Expected number of recruits	Qualification requirements
Electronic equipment design technician (電氣設計技術員)	1	Bachelor's degree or above; candidates should possess 5–10 years of experience in electronic equipment design, with the ability to review process plans.
Structural design technician (結構設計技術員)	1	Bachelor's degree or above; candidates should possess 5–10 years of experience in structural design in petrochemical industry, with the capability of scheme review; one of them is required to hold a registered structural professional certificate.
Non-metal equipment R&D engineer (非金屬設備研發工程師)	1	Master's degree or above; candidates should graduate from Equipment Development and Chemical Machinery, and possess over 3 years of experience in non-metal material design.
Project engineer (項目工程師)	1	Bachelor's degree or above; candidates should graduate from Thermodynamics or Chemical Engineering and possess over 5 years of project experience in on-site management in petrochemical systems.
Commissioning engineer (調試工程師)	1	Bachelor's degree or above; candidates should graduate from Thermodynamics or Chemical Engineering and possess over 3 years of project experience in on-site operation.
New product manufacturing process engineer (新產品製造工藝工程師)	1	Bachelor's degree or above, the candidate should possess more than 5 years of equipment manufacturing process experience in chemical industry.
Quality engineer (質量工程師)	1	Bachelor's degree or above; candidates should graduate from Mechanical, and possess over 3 years of project experience in quality control.
Total	18	

(c) approximately HK$2.2 million (equivalent to approximately RMB2.1 million), representing approximately 2.8% of the net proceeds of the Global Offering, will be used for engaging in collaborative research and development programs with universities and research institutions.

3. General working capital:

   approximately HK$7.9 million (equivalent to approximately RMB7.3 million), representing approximately 9.5% of the net proceeds from the Global Offering will be used for our general working capital and general corporate purposes.

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK$20.0 million, respectively.

Assuming that the Over-allotment Option is exercised in full, we estimate that the net proceeds from Global Offering would increase to approximately (i) HK$127.4 million (equivalent to approximately RMB116.9 million), assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.39 per Offer Share; (ii) HK$104.4 million (equivalent to approximately RMB95.8 million), assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK$1.22 per Offer Share; and (iii) HK$81.4 million (equivalent to approximately RMB74.7 million), assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$1.05 per Offer Share.

The net proceeds will be used in the same proportions as disclosed above irrespective of: (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the net proceeds from the Global Offering into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions.

HONG KONG UNDERWRITERS

First Shanghai Securities Limited
Victory Securities Company Limited
CLSA Limited
Shenwan Hongyuan Securities (H.K.) Limited
Central China International Capital Limited
China Merchants Securities (HK) Co., Limited
China Everbright Securities (HK) Limited
Shanxi Securities International Limited
Essence International Securities (Hong Kong) Limited
Livermore Holdings Limited
Tiger Brokers (HK) Global Limited
Fortune (HK) Securities Limited
CCB International Capital Limited
Zhongtai International Securities Limited
Goldlink Securities Limited
TradeGo Markets Limited
Fosun International Securities Limited
CMBC Securities Company Limited
Futu Securities International (Hong Kong) Limited
SPDB International Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sponsor-Overall Coordinator (acting for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 12,500,000 Hong Kong Offer Shares and the International Placing of initially 112,500,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in ''Structure and Conditions of the Global Offering'' as well as to the Over-allotment Option in the case of the International Placing.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by notice (orally or in writing) from the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur or come into force:

(i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the U.S., the BVI, the Cayman Islands or any other jurisdiction(s) relevant to Company and its subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial condition or prospects of the Group in a material way; or

(ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the PRC, the U.S., the BVI, the Cayman Islands or any other jurisdiction(s) relevant to the Company and its subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial condition or prospects of the Group in a material way; or

(iii) without prejudice to sub-paragraph (i) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident), in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) would or might adversely affect the Company and its subsidiaries or their present or prospective shareholders in their capacity as such; or

(v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the PRC, the U.S., the BVI, the Cayman Islands or any other jurisdiction(s) to which any member of the Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) would or might adversely affect the Company and its subsidiaries or their present or prospective shareholders in their capacity as such in a material way; or

(vi) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against the Company and its subsidiaries, their substantial shareholders or any Directors; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC, the U.S., the BVI, the Cayman Islands or any other jurisdiction(s) relevant to the Company and its subsidiaries; or

(viii) any public, regulatory, taxing, administrative or governmental, agency or authority or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other applicable authority and any court at the national, provincial, municipal or local level, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against the Company and its subsidiaries or Director; or

(ix) order or petition for the winding up of the Company and its subsidiaries or any composition or arrangement made by the Company and its subsidiaries with their creditors or a scheme of arrangement entered into by the Company and its subsidiaries or any resolution for the winding up of the Company and its subsidiaries or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company and its subsidiaries or anything analogous thereto occurring in respect of the Company and its subsidiaries; or

(x) and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (A) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (B) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of the Group as a whole; or (C) makes it inadvisable or inexpedient to proceed with the Global Offering; or (D) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their absolute opinions to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on the Company or the other warrantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their absolute opinions to be material; or

(c) there comes to the notice of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their absolute opinions any breach on the part of the Company or any of the other warrantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their absolute opinions to be material; or

(d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack which in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), a material omission of such information; or

(f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of the Group which in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) is material; or

(g) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued under the Global Offering and the Shares to be issued pursuant to the Capitalisation Issue and under the Global Offering (including any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme and pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or

(i) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there comes to the notice of the Sole Sponsor and the Overall Coordinators or any of the Hong Kong Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) is inconsistent in any material respect with any information contained in the declaration and undertaking with regard to Directors given by any Directors pursuant to the Global Offering; or

(ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of the Group.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by Our Company

In accordance with Rule 10.08 of the Listing Rules, we hereby undertake to the Stock Exchange that (except pursuant to the Global Offering and/or any exercise of the Over-allotment Option) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities and whether or not such allotment or issuance of Shares or securities will be completed within six months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed in Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders irrevocably and unconditionally undertake to the Stock Exchange and our Company that, except pursuant to the Global Offering and the Over-allotment Option, our Controlling Shareholders shall not and shall procure that the relevant registered holders of the Shares in which our Controlling Shareholders are beneficially interested shall not:

(a) in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of their shareholding is made in this prospectus and ending on the date (the "**End Date**") which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which the Controlling Shareholders are shown by the prospectus to be the beneficial owner (the "**Relevant Securities**"); or

(b) in the period of six months commencing on the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that the Controlling Shareholders would cease to be the controlling shareholders (as defined in the Listing Rules) of the Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders also irrevocably and unconditionally undertake to the Stock Exchange and our Company that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, the Controlling Shareholders shall:

(i) when any of our Controlling Shareholders pledge or charge any Shares or securities of our Company beneficially owned by our Controlling Shareholders in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when any of our Controlling Shareholders receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

Our Controlling Shareholders understand and agree that our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company hereby undertakes with each of the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to the Capitalisation Issue and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date including the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any pledge, charge, lien, mortgage, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights similar to the foregoing (collectively, the "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic or legal consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(iii) enter into any transaction with the same economic or legal effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions described in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period).

If our Company enters into any of the foregoing transactions described in sub-paragraphs (i), (ii) or (iii) above or agree to or announces any intention to effect any such transactions during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, Riches Development, Mr. Lu Bo, Richen Development and Ms. Lu Xiaojing undertakes to each of the Sole Sponsor, the Overall Coordinators and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, Riches Development, Mr. Lu Bo, Richen Development and Ms. Lu Xiaojing undertakes to and covenants with the Sole Sponsor, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that save with the prior written consent of the Sole Sponsor and the Sponsor-Overall Coordinator (for themselves and on behalf of the Hong Kong Underwriters), no company in the Group will during the First Six-Month Period purchase any securities of our Company.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders hereby jointly and severally undertakes to each of our Company, the Sole Sponsor, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save for pursuant to the Global Offering (including the Over-allotment Option), without the prior written consent of the Sponsor-Overall Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its/his/her close associates will:

(i) during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic or legal consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic or legal effect as any transaction specified in paragraph (i)(a) or (i)(b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i)(a), (i)(b) or (i)(c) above, in each case, whether any of the transactions specified in paragraphs (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) he, she or it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i)(a), (i)(b) or (i)(c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he, she or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and

(iii) until the expiry of the Second Six-Month Period, in the event that he, she or it enters into any of the transactions specified in paragraphs (i)(a), (i)(b) or (i)(c) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We, Riches Development, Mr. Lu Bo, Richen Development and Ms. Lu Xiaojing have agreed to jointly and severally indemnify, among others, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The International Placing

International Underwriting Agreement

In connection with the International Placing, it is expected that we, Riches Development, Mr. Lu Bo, Richen Development and Ms. Lu Xiaojing will enter into the International Underwriting Agreement with the Sole Sponsor, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Placing (subject to, amongst others, any reallocation between the International Placing and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Sponsor-Overall Coordinator at their sole and absolute discretion (for itself and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being Sunday, 4 August 2024), to require our Company to allot and issue up to an aggregate of 18,750,000 Shares, representing no more than 15% of the initial Offer Shares, at the Offer Price under the International Placing, to cover over-allocations in the International Placing, if any.

Commissions and Expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive an underwriting commission of 4.5% of the aggregate Offer Price payable for the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) underwritten by them, out of which they will pay any sub-underwriting commission (the "**Fixed Fees**"). Our Company, may, at our sole and absolute discretion, pay to Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) aggregate an incentive fee up to 1.5% of the Offer Price for the Offer Shares (the "**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees payable is 3:1.

The aggregate underwriting commissions and fees payable to the Underwriters, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy, legal and other professional fees and printing and all other expenses in relation to the Global Offering are estimated to be approximately RMB63.9 million (equivalent to approximately HK$69.6 million) (assuming an Offer Price of HK$1.22 per Offer Share (which is the mid-point of the indicative Offer Price range), the Over-allotment Option is not exercised) and will be paid by us.

INDEPENDENCE OF SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure and Conditions of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

(a) the Hong Kong Public Offering of 12,500,000 Offer Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(b) the International Placing of an aggregate of 112,500,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, as described in "— The International Placing" below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

The 125,000,000 Offer Shares in the Global Offering will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option). If the Over-allotment Option is exercised in full, the additional International Placing Shares will represent approximately 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "— The International Placing — Over-allotment Option" below.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, respectively, may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 12,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised, the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "— Conditions of the Global Offering" in this section.

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools, Pool A and Pool B (with any odd lots being allocated to pool A):

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable); and

- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools.

Multiple applications or suspected multiple applications and any application for more than 6,250,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 25,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 37,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 37,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 50,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 62,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators. If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Overall Coordinators deem appropriate. In addition, the Overall Coordinators (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Placing is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Placing Shares originally included in the International Placing to the Hong Kong Public Offering in such number as they deem appropriate. In accordance with Chapter 4.14 of the Guide for New Listing

Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the number of International Placing Shares reallocated to the Hong Kong Public Offering should not exceed 12,500,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 25,000,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering and twice the Offer Shares initially available under the Hong Kong Public Offering, and (ii) the final Offer Price shall be fixed at HK$1.05 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Overall Coordinators in their discretion consider appropriate.

In the event that both the Hong Kong Public Offering and International Placing are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Any such clawback and reallocation between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

Applications

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channel), the maximum price of HK$1.39 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum price of HK$1.39 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please see "How to Apply for Hong Kong Offer Shares" in this section.

THE INTERNATIONAL PLACING

Number of International Placing Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Placing will consist of an initial offering of 112,500,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares to be initially offered for subscription under the International Placing, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The International Placing is subject to the same conditions as stated in ''— Conditions of the Global Offering'' below.

Allocation

The International Placing will include selective marketing of International Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of International Placing Shares pursuant to the International Placing will be effected in accordance with the ''book-building'' process described in ''— Pricing and Allocation'' below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in ''— The Hong Kong Public Offering — Reallocation'', the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Placing.

Over-allotment Option

Our Company expect to grant to the International Underwriters, exercisable in whole or in part by the Sponsor-Overall Coordinator at its sole and absolute discretion (for itself and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 18,750,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering (the last day for the exercise of the Over-allotment Option being Sunday, 4 August 2024), at the Offer Price, to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional International Placing Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over- allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, as stabilising manager, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail in the other market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if commenced, (i) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it), (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering (i.e. Sunday, 4 August 2024).

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering (i.e. Sunday, 4 August 2024). After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover of up to an aggregate of 18,750,000 Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Placing. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid on the Listing Date, accordingly there will be no delayed settlement of the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules under the SFO (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Overall Coordinators, or any person acting for it may cover such over-allocation by, amongst others, using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued and/or sold pursuant to the exercise in full of the Over-allotment Option, being 18,750,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different price or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on Monday, 8 July 2024. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.39 per Offer Share and is expected to be not less than HK$1.05 per Offer Share, unless otherwise announced, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Overall Coordinators (for themselves and on behalf of the Underwriters) considers it appropriate and together with the Company's consent, the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering cause to be published on the websites of our Company and the Stock Exchange at **www.ruichang.com.cn** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Our Company will also as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering to issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the

Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price Range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus and complete the requisite associated settlement processes on the FINI platform afresh.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$69.6 million (equivalent to approximately RMB63.9 million), assuming an Offer Price of HK$1.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.05 to HK$1.39.

Announcement of Final Offer Price

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, 9 July 2024 through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — B. Publication of Results".

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such Listing and permission not subsequently having been revoked prior to the Listing Date;

(b) the execution and delivery of the Price Determination Agreement by the parties on or before the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date and that the International Underwriting Agreement becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Monday, 8 July 2024, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company (**www.ruichang.com.cn**) and the website of the Stock Exchange **(www.hkexnews.hk)**, respectively, on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of

Share Certificates and Refund of Application Monies". In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued and/or sold pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 10 July 2024, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 10 July 2024. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 2,500 Shares each and the stock code of the Shares will be 1334.

IMPORTANT NOTICE TO INVESTORS

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.ruichang.com.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address *(for the **White Form eIPO** service only)*;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates;
- are a Director, supervisor or any of his/her close associates; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Friday, 28 June 2024 and end at 12:00 noon on Friday, 5 July 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	**www.eipo.com.hk**	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, 28 June 2024 to 11:30 am on Friday, 5 July 2024 (Hong Kong time). The latest time for completing full payment of application monies will be 12:00 noon on Friday, 5 July 2024 (Hong Kong time).
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorised the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Hong Kong identity ("**HKID**") card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Legal Entity Identifier ("**LEI**") registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at four in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, our Company and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions our Company thinks fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	2,500 shares for one board lot
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$1.39 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You are required to pay the amount next to the number you select. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*
2,500	3,510.05	40,000	56,160.72	500,000	702,009.08	2,500,000	3,510,045.38
5,000	7,020.09	45,000	63,180.81	600,000	842,410.89	2,750,000	3,861,049.91
7,500	10,530.14	50,000	70,200.91	700,000	982,812.70	3,000,000	4,212,054.46
10,000	14,040.19	60,000	84,241.09	800,000	1,123,214.52	3,250,000	4,563,058.99
12,500	17,550.23	70,000	98,281.28	900,000	1,263,616.34	3,500,000	4,914,063.53
15,000	21,060.27	80,000	112,321.45	1,000,000	1,404,018.16	3,750,000	5,265,068.07
17,500	24,570.32	90,000	126,361.64	1,250,000	1,755,022.69	4,000,000	5,616,072.60
20,000	28,080.36	100,000	140,401.81	1,500,000	2,106,027.23	4,500,000	6,318,081.68
25,000	35,100.45	200,000	280,803.64	1,750,000	2,457,031.77	5,000,000	7,020,090.76
30,000	42,120.55	300,000	421,205.45	2,000,000	2,808,036.30	5,500,000	7,722,099.83
35,000	49,140.63	400,000	561,607.25	2,250,000	3,159,040.83	6,250,000(1)	8,775,113.43

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **White Form eIPO** Service Provider (for applications made through the application channel of the **White Form eIPO** Service Provider) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Placing Shares.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Overall Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(b) confirm that you have read the terms and conditions and application procedures set out in this prospectus and on the designated website under the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(c) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(d) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(e) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be causing your application to be made) and will not rely on any other information or representations;

(f) agree that none of our Company, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or our Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to our Company, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraphs headed "— G. Personal Data — 3. Purposes" and "-G. Personal Data — 4. Transfer of personal data" in this section;

(h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(i) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(j) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances in which you will not be allocated Hong Kong Offer Shares" in this section;

(k) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(l) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither our Company nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(m) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, supervisors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(n) warrant that the information you have provided is true and accurate;

(o) confirm that you understand that our Company and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(p) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the Hong Kong Share Registrar or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC; and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **White Form eIPO** service or **HKSCC EIPO** channel:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID Number" function. The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**)	24 hours, from 11:00 p.m. on Tuesday, 9 July 2024 to 12:00 midnight on Monday, 15 July 2024 (Hong Kong time).
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ruichang.com.cn** which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Tuesday, 9 July 2024 (Hong Kong time).
Telephone	+ 852 2862 8555 — the allocation results telephone enquiry line provided by the Hong Kong Share Registrar.	between 9:00 a.m. and 6:00 p.m. on Wednesday, 10 July 2024, Thursday, 11 July 2024, Friday, 12 July 2024 and Monday, 15 July 2024

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, 8 July 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, 8 July 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

Our Company expects to announce the results of the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ruichang.com.cn** by no later than 11:00 p.m. on Tuesday, 9 July 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If our Company or our agents exercise our discretion to reject your application:

Our Company, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Overall Coordinators believes that by accepting your application, it or our Company would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Placing. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, 10 July 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	**HKSCC EIPO** channel
Despatch/collection of Share certificate[1]		
For physical share certificates of 1,000,000 or more Hong Kong Offer Shares issued under your own name	Collection in person at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong **Time:** from 9:00 a.m. to 1:00 p.m. on Wednesday, 10 July 2024 (Hong Kong time) or such other date as notified by us as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques. If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. *Note:* If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

[1] Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong in the morning on the business day before the Listing Date rendering it impossible for the relevant Share certificates to be despatched to HKSCC in a timely manner, our Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Severe Weather Arrangements" in this section.

	White Form eIPO service	**HKSCC EIPO** channel
For physical share certificates of less than 1,000,000 Hong Kong Offer Shares issued under your own name	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. Time: Tuesday, 9 July 2024	

Refund mechanism for surplus application monies paid by you

Date	Wednesday, 10 July 2024	Subject to the arrangement between you and your broker or custodian.
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, 5 July 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 July 2024. Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ruichang.com.cn** of the revised timetable.

If a Severe Weather Signal is hoisted on the business day before the Listing Date (i.e. Tuesday, 9 July 2024), the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS depository's service counter so that they would be available for trading on Listing Date.

If a Severe Weather Signal is hoisted on the business day before Listing Date (i.e. Tuesday, 9 July 2024) for physical Share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of the business day before the Listing Date (i.e. Tuesday, 9 July 2024) or on the Listing Date).

If a Severe Weather Signal is hoisted on the Listing Date (i.e. Wednesday, 10 July 2024), for physical Share certificates of 1,000,000 or more Offer Shares issued under your own name, you may pick them up from the Hong Kong Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of on the Listing Date or on Thursday, 11 July 2024.

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional adviser for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the Hong Kong Share Registrar, the receiving bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary of our Company, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on page I-1 to I-3 received from the Company's reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this Prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants' Report on Historical Financial Information in Investment Circulars, issued by the Hong Kong Institute of Certified Public Accountants.

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ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RUICHANG INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "**Company**") and its subsidiaries, (hereinafter collectively referred to as the "**Group**") set out on pages I-4 to I-56, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 (the "**Relevant Periods**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company date 28 June 2024 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 2022 and 2023 and the Company as at 31 December 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends paid by the Company and its subsidiaries in respect of the Relevant Periods.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Shun Fai
Practising Certificate Number P05498
Hong Kong,
28 June 2024

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by ZHONGHUI ANDA CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*8*	248,044	419,073	544,129
Cost of sales		(177,146)	(286,057)	(352,581)
Gross profit		70,898	133,016	191,548
Other income and gains, net	*10*	8,577	1,824	4,355
Selling expenses		(14,708)	(20,506)	(24,803)
Administrative expenses		(23,475)	(28,172)	(41,279)
Research and development expenses	*14*	(18,658)	(25,084)	(37,963)
Listing expenses	*14*	(5,076)	(9,367)	(12,632)
Reversal of impairment losses/(impairment losses) of financial assets and contract assets	*14*	3,373	(3,871)	(5,885)
Share of results of an associate	*21*	(1)	6	60
Finance costs	*11*	(3,287)	(3,746)	(5,921)
Profit before tax		17,643	44,100	67,480
Income tax expenses	*13*	(4,397)	(7,567)	(12,269)
Profit for the year	*14*	13,246	36,533	55,211
Other comprehensive income/(loss):				
Items that will not be reclassified to profit or loss:				
Fair value changes of financial assets at fair value through other comprehensive income ("**FVTOCI**")		—	(2,316)	(329)
Items that may be reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations		950	387	(217)
Total comprehensive income for the year		14,196	34,604	54,665
Profit/(loss) for the year attributable to:				
Owners of the Company		13,423	36,533	55,211
Non-controlling interests		(177)	—	—
		13,246	36,533	55,211
Total comprehensive income/(loss) for the year attributable to:				
Owners of the Company		14,373	34,604	54,665
Non-controlling interests		(177)	—	—
		14,196	34,604	54,665
Earnings per share attributable to owners of the Company				
Basic and diluted *(RMB cents)*	*15*	2.68	7.31	11.04

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2021	2022	2023
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	17	59,364	55,446	54,015
Investment property	18	12,077	11,598	11,119
Right-of-use asset	19	39,029	38,076	42,115
Intangible assets	20	1,213	1,154	2,142
Investment in an associate	21	656	662	722
Financial assets at fair value through other comprehensive income	22	17,000	14,684	14,355
Deferred tax assets	23	1,231	1,965	3,028
Prepayment for property, plant and equipment		299	—	52
		130,869	123,585	127,548
CURRENT ASSETS				
Inventories	24	45,332	53,128	66,742
Trade and notes receivables	25	160,176	309,758	326,916
Prepayments, other receivables and other assets	26	26,793	42,624	58,358
Financial assets at fair value through profit or loss	28	7,000	—	—
Contract assets	31	22,259	36,228	48,946
Pledged deposits	29	16,230	5,810	21,457
Cash and bank balances	29	13,172	21,390	45,670
		290,962	468,938	568,089
CURRENT LIABILITIES				
Trade and notes payables	30	106,598	126,794	149,347
Contract liabilities	31	17,656	89,260	76,037
Accruals and other payables	32	21,992	48,482	41,194
Bank and other borrowings	33	32,748	54,600	82,336
Lease liabilities	34	—	—	2,504
Tax payable		3,951	8,897	7,660
		182,945	328,033	359,078
NET CURRENT ASSETS		108,017	140,905	209,011
TOTAL ASSETS LESS CURRENT LIABILITIES		238,886	264,490	336,559
NON-CURRENT LIABILITIES				
Bank and other borrowings	33	33,000	24,000	39,500
Lease liabilities	34	—	—	1,904
		33,000	24,000	41,404
NET ASSETS		205,886	240,490	295,155
CAPITAL AND RESERVES				
Share capital and paid-up capital	35	—	—	—
Reserves	36	205,886	240,490	295,155
Equity attributable to owners of the Company		205,886	240,490	295,155
Non-controlling interests		—	—	—
TOTAL EQUITY		205,886	240,490	295,155

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Capital reserve*** *RMB'000* *(Note 36)*	**Investment revaluation reserve*** *RMB'000*	**Foreign currency translation reserve*** *RMB'000*	**Statutory reserve*** *RMB'000* *(Note 36)*	**Retained profits*** *RMB'000*	**Sub-Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	—	9,500	—	6,497	22,452	148,317	186,766	—	186,766
Profit for the year	—	—	—	—	—	13,423	13,423	—	13,423
Other comprehensive income for the year:									
Exchange differences arising on translation of foreign operations	—	—	—	950	—	—	950	(177)	773
Business combinations involving entities under common control	—	(327)	—	—	—	—	(327)	177	(150)
Dividend declared and paid	—	—	—	—	—	(19,331)	(19,331)	—	(19,331)
Transfer from retained profits	—	—	—	—	4,571	(4,571)	—	—	—
Issue of shares *(note 36(c))*	—	24,405	—	—	—	—	24,405	—	24,405
At 31 December 2021 and 1 January 2022	—	33,578	—	7,447	27,023	137,838	205,886	—	205,886
Profit for the year	—	—	—	—	—	36,533	36,533	—	36,533
Other comprehensive income for the year:									
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(2,316)	—	—	—	(2,316)	—	(2,316)
Exchange differences arising on translation of foreign operations	—	—	—	387	—	—	387	—	387
Total comprehensive income for the year	—	—	(2,316)	387	—	36,533	34,604	—	34,604
At 31 December 2022 and 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	—	33,578	(2,645)	7,617	27,023	229,582	295,155	—	295,155

Notes:

* These accounts comprise the consolidated reserves of RMB205,886,000, RMB240,490,000 and RMB295,155,000 as at 31 December 2021, 2022 and 2023, respectively, in the consolidated statement of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before tax	17,643	44,100	67,480
Adjustments for:			
Amortisation of intangible assets	249	274	373
Depreciation of investment property	479	479	479
Depreciation of property, plant and equipment	5,489	5,606	6,098
Depreciation of right-of-use assets	953	953	3,302
Finance costs	3,287	3,746	5,921
Gain from litigation compensation	(3,100)	—	—
Interest income	(286)	(242)	(576)
Loss on disposal of property, plant and equipment	125	364	20
Share of results of an associate	1	(6)	(60)
(Reversal of impairment losses)/impairment losses, net	(3,373)	3,871	5,885
Operating profit before working capital changes	21,467	59,145	88,922
Change in accruals and other payables	4,338	26,490	(7,288)
Change in contract assets	(2,337)	(14,518)	(14,092)
Change in contract liabilities	4,342	71,604	(13,223)
Change in inventories	(13,392)	(7,796)	(13,614)
Change in pledged deposits	(9,797)	10,420	(15,647)
Change in prepayments, deposits and other receivables	(6,424)	(8,290)	(4,932)
Change in trade and notes payables	46,119	20,196	22,553
Change in trade and notes receivables	(48,608)	(152,864)	(21,705)
Cash (used in)/generated from operations	(4,292)	4,387	20,974
Income tax paid	(3,760)	(3,355)	(14,569)
Proceeds from litigation compensation	3,100	—	—
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(4,952)	1,032	6,405

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Recovery of financial assets at fair value through profit or loss	3,000	7,000	—
Interest received	286	242	576
Advance to the controlling shareholders	—	—	(8,553)
Proceeds from disposal of property, plant and equipment	8	5	28
Purchases of property, plant and equipment	(4,543)	(1,759)	(4,766)
Purchases of financial assets at fair value through profit or loss	(10,000)	—	—
Payments for financial assets at fair value through other comprehensive income	(17,000)	—	—
Purchase of a shareholding in associate	(656)	—	—
Purchases of intangible assets	(369)	(215)	(1,361)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(29,274)	5,273	(14,076)
Cash flows from financing activities			
Repayment of bank and other borrowings	(37,000)	(53,857)	(79,618)
Repayment of lease liabilities	—	—	(2,933)
Dividends paid	(19,331)	—	—
Interest paid	(3,287)	(3,746)	(5,921)
Deferred issue cost	(5,105)	(7,577)	(2,434)
Addition of bank and other borrowings	59,748	66,709	122,854
Acquisition of a subsidiary under common control	(150)	—	—
Proceeds from shares issued	24,405	—	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	19,280	1,529	31,948
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,946)	7,834	24,277
Effect of changes in foreign exchange rate	(40)	384	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,158	13,172	21,390
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and bank balances	13,172	21,390	45,670

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET				
Interest in a subsidiary	*40(a)*	19,128	19,128	19,128
CURRENT ASSETS				
Prepayments, other receivables and other assets	*40(b)*	946	1,177	1,118
Cash and bank balances	*40(c)*	4,102	667	182
		5,048	1,844	1,300
CURRENT LIABILITIES				
Accruals and other payables	*40(d)*	282	5,702	15,810
NET CURRENT ASSETS/(LIABILITIES)		4,766	(3,858)	(14,510)
NET ASSETS		23,894	15,270	4,618
CAPITAL AND RESERVES				
Share capital		—	—	—
Reserves	*36(c)*	23,894	15,270	4,618
TOTAL EQUITY		23,894	15,270	4,618

Note: The Company was incorporated on 6 February 2020.

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Suite #5–204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (together, the "**Group**") were involved in the following principal activities: manufacture and sale of petroleum refinery and petrochemical equipment.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of principal subsidiaries are set out below:

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 Company Direct %	Indirect %	Principal activities
Flame Petro-chemical Engineering International Limited *(note (a))*	Samoa 22 August 2005	RMB19,000,000	—	100	Investment holding
Luoyang Ruichang Environmental Engineering Co., Ltd. ("洛陽瑞昌環境工程有限公司") *(note (b), (d))*	People's Republic of China/ Mainland China 25 January 1994	RMB100,000,000	—	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 (b), (d))*	People's Republic of China/ Mainland China 31 December 2005	RMB4,500,000	—	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") *(note (c), (e))*	People's Republic of China/ Mainland China 12 December 2002	RMB9,500,000	—	100	Sale of petro-chemical equipment
Ruijing (Jiangsu) Environmental Engineering Co., Ltd. ("瑞境(江蘇)環境工程有限公司") *(note (e), (f))*	People's Republic of China/ Mainland China 22 May 2024	RMB10,000,000/ —	—	100	Manufacture of industrial products
Shanghai Ruining Han Cold Energy Technology Co., Ltd. ("上海瑞寧瀚冷能源科技有限公司") *(note (e), (f))*	People's Republic of China/ Mainland China 9 April 2024	RMB3,330,000/ —	—	69.97	Technology R&D, technology consulting service

Notes:

(a) No audited financial statements have been issued since the date of incorporation as it was not subject to any statutory auditing requirement under relevant rules and regulations in its jurisdictions of incorporation.

(b) The statutory financial statements of Luoyang Ruichang Environmental Engineering Co., Ltd. and Luoyang Ruiqieer Petro-chemical Equipment Co., Ltd. for the financial years ended 31 December 2021, 2022 and 2023 were prepared in accordance with the PRC Generally Accepted Accounting Principles ("**PRC GAAP**") and were audited by 河南凱橋會計師事務所有限公司.

(c) The statutory financial statements of Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd. for the financial years ended 31 December 2021 and 2022 were prepared in accordance with the PRC GAAP and were audited by 上海事誠會計師事務所有限公司.

(d) The subsidiary is registered as a wholly-foreign-owned enterprise under PRC law.

(e) The subsidiary is registered as a limited liability company under PRC law.

(f) The registered capital of this subsidiary will be fully paid within 5 years.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

All HKFRSs effective for the accounting period commencing from 1 January 2021, including HKFRS 9 Financial Instruments, HKFRS 15 Revenue from Contracts with Customers, and HKFRS 16 Leases, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company become the holding company of the companies now comprising the Group on 26 May 2021.

As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any changes of economic substances, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group using the pooling of interests method.

Accordingly, the Historical Financial Information is prepared as if the current group structure had been in existence throughout the Relevant Periods.

All intra-group transactions and balances have been eliminated on consolidation.

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

During the Relevant Periods, the Group had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations ("**HKAS**").

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the new and revised HKFRSs will be adopted in the Historical Financial Information when they become effective.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10, HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

The directors of the Group anticipate that the application of all new and amendments to HKFRSs will have no material impact on the Company's Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs and applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each Relevant Periods, as set out below.

The preparation of Historical Financial Information 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 where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The material accounting policies applied in the preparation of the Historical Financial Information are set out below.

Merger accounting for business combinations under common control

The Historical Financial Information incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

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

The combined 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 the Reorganisation had been in existence at the end of each reporting year. 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.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the year in which they are incurred.

Consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries. 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.

Intra-group 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.

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.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of each of the group's entity are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information 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 Historical Financial Information

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.

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 Historical Financial Information 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.

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.

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 lives 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.

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.

(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.

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.

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 14.

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.

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

All 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.

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 manufacturing and sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

(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 equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment.

Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer the equipment 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 equipment and installation services.

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.

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.

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.

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.

5. 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

During the Track Record Period, 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 Track Record Period.

6. 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.

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 month 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 2021, 2022 and 2023, based on the contractual undiscounted payments, is as follows:

At 31 December 2023

	On demand or within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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

At 31 December 2022

	On demand or within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes payables	126,794	—	—	126,794
Bank and other borrowings	56,731	24,873	—	81,604
Financial liabilities included in other payables and accruals	3,611	—	—	3,611
Total	187,136	24,873	—	212,009

At 31 December 2021

	On demand or within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes payables	106,598	—	—	106,598
Bank and other borrowings	34,918	19,313	15,018	69,249
Financial liabilities included in other payables and accruals	1,506	—	—	1,506
Total	143,022	19,313	15,018	177,353

(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 Relevant Periods.

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 Relevant Periods.

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 the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	215,945	352,033	400,482
Total equity	205,886	240,490	295,155
Ratio	104.89%	146.38%	135.69%

(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

	As at 31 December		
Financial assets	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
Trade and notes receivables	160,176	309,758	326,916
Financial assets included in other receivables and other assets	13,485	18,785	25,650
Pledged deposits	16,230	5,810	21,457
Cash and bank balances	13,172	21,390	45,670
	203,063	355,743	419,693
Financial assets at fair value through profit or loss	7,000	—	—
Financial assets at fair value through other comprehensive income	17,000	14,684	14,355

Financial liabilities	As at 31 December 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Trade and notes payables	106,598	126,794	149,347
Lease liabilities	—	—	4,408
Bank and other borrowings	65,748	78,600	121,836
Financial liabilities included in other payables and accruals	1,506	3,611	8,107
	173,852	209,005	283,698

(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 and lease liabilities 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.

7. 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.

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

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

Disclosures of level in fair value hierarchy at 31 December 2022:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	—	—	14,684	14,684

Disclosures of level in fair value hierarchy at 31 December 2021:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	—	—	17,000	17,000
Financial assets at fair value through profit or loss				
— Investments in financial products	7,000	—	—	7,000
Total recurring fair value measurements	7,000	—	17,000	24,000

During the Relevant Periods, there was no transfer between Level 1 and 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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 2023	14,684
Total gains or losses recognised in other comprehensive income	(329)
At 31 December 2023	14,355

Description	Financial assets at fair value through other comprehensive income Unlisted equity investment
	RMB'000
At 1 January 2022	17,000
Total gains or losses recognised in other comprehensive income	(2,316)
At 31 December 2022	14,684

Description	Financial assets at fair value through other comprehensive income Unlisted equity investment
	RMB'000
At 1 January 2021	—
Purchases	17,000
At 31 December 2021	17,000

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.

Level 3 fair value measurements

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

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value As at 31 December 2022
				RMB'000
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	Share of net assets	*(Note)*	*(Note)*	14,684

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value As at 31 December 2021
				RMB'000
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	Share of net assets	*(Note)*	*(Note)*	17,000

During the Relevant Periods, there were no changes in the valuation techniques used.

Note: The Group's investment in unlisted equity investment funds 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 made by the funds. 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 RMB850,000, RMB734,000 and RMB718,000 as at 31 December 2021, 2022 and 2023, respectively.

8. REVENUE

The Group's revenue for the Relevant Periods are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Manufacturing and sale of equipment			
SRU and VOCs incineration equipment	101,719	72,854	77,218
Catalytic cracking equipment	63,273	251,625	319,266
Process burners	29,971	45,046	114,264
Heat exchangers	50,832	45,767	33,381
	245,795	415,292	544,129
Installation services	2,249	3,781	—
	248,044	419,073	544,129

Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Goods transferred at a point of time	245,795	415,292	544,129
Services transferred over time	2,249	3,781	—
	248,044	419,073	544,129

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	51,694	253,406	191,671
Customer H	*Note (i)*	*Note (i)*	57,024
Customer G	*Note (ii)*	*Note (ii)*	62,456

Notes:

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

(ii) No contribution for the relevant year.

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sales of products	13,314	10,455	86,130

There was no revenue recognised during the Relevant Periods that was 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.

9. 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

During the Relevant Periods, 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.

10. OTHER INCOME AND GAINS, NET

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grant[1]	4,153	713	1,097
Interest income	286	242	576
Litigation compensation	3,100	—	—
Rental income, net	338	343	325
Others[2]	700	526	2,357
	8,577	1,824	4,355

(1) Government grants for the Relevant Periods 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 other income from provision of design and testing services.

11. FINANCE COSTS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	3,287	3,746	5,716
Interest on lease liabilities	—	—	205
	3,287	3,746	5,921

12. DIRECTORS' EMOLUMENTS

Mr. Lu Bo and Ms. Lu Xiaojing were appointed as Directors of the Company on 6 February 2020.

During the Relevant Periods, Mr. Lu Bo and Ms. Lu Xiaojing were re-designated as executive directors of the Company on 15 March 2023, respectively. Ms. Bai Wei, Mr. Shao Song and Ms. Wu Rui were appointed as executive directors of the Company on 15 March 2023, respectively. Mr. Tu Shenwei, Mr. Zhang Shengjie, and Mr. Bau Siu Fung were appointed as independent non-executive directors of the Company on 15 March 2023, respectively.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors during the Relevant Periods is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023				
Executive directors:				
Mr. LU Bo	457	241	144	842
Ms. LU Xiaojing	325	105	144	574
Ms. BAI Wei	178	130	85	393
Mr. SHAO Song	299	35	113	447
Ms. WU Rui	280	100	—	380
	1,539	611	486	2,636
Independent non-executive directors:				
Mr. TU Shenwei	—	—	—	—
Mr. ZHANG Shengjie	—	—	—	—
Mr. BAU Siu Fung	—	—	—	—
	—	—	—	—
Year ended 31 December 2022				
Executive directors:				
Mr. LU Bo	472	241	134	847
Ms. LU Xiaojing	329	109	134	572
	801	350	268	1,419
Year ended 31 December 2021				
Executive directors:				
Mr. LU Bo	416	300	121	837
Ms. LU Xiaojing	321	121	121	563
	737	421	242	1,400

The executive directors' emoluments are for their services in connection to the management of the affairs of the Company and the Group.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Relevant Periods.

Five highest paid individuals' emoluments

The five highest paid individuals including 1, 1 and 1 director of the Company for the years ended 31 December 2021, 2022 and 2023 respectively, whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining 4, 4 and 4 individuals for the years ended 31 December 2021, 2022 and 2023 are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,747	2,029	1,770
Performance related bonuses	1,175	918	918
Pension scheme contributions	364	345	338
	3,286	3,292	3,026

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December		
	2021	**2022**	**2023**
Nil to HK$1,000,000	3	3	3
HK$1,000,001 to HK$1,500,000	1	1	1
	4	4	4

During the Relevant Periods, 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.

13. INCOME TAX EXPENSES

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax — Mainland China:			
Charge for the year	3,850	8,301	13,332
Deferred income tax *(note 23)*	547	(734)	(1,063)
	4,397	7,567	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 during the Relevant Periods.

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 2021, 2022 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 2021 and is eligible for 15% preferential tax rate effective for three consecutive years ended 31 December 2022, 2023 and 2024.

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.

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	17,643	44,100	67,480
Tax at domestic income tax rate	4,411	11,025	16,870
Lower tax rate enacted by local authority	(1,418)	(3,303)	(5,317)
Tax effect of expenses not deductible and income not taxable for tax purpose	743	840	1,251
Tax incentives on eligible expenditures	(2,715)	(3,764)	(5,795)
Tax losses not recognised	1,877	2,769	5,260
Withholding tax	1,499	—	—
Income tax expenses	4,397	7,567	12,269

The Group has accumulated tax losses in PRC of RMB24,905,000, RMB42,205,000 and RMB75,919,000 as at 31 December 2021, 2022 and 2023, respectively, available for offset against future profits, which will expire in five 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.

14. PROFIT FOR THE YEAR

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	168,811	273,006	336,261
Depreciation of property, plant and equipment	5,489	5,606	6,098
Depreciation of investment property	479	479	479
Depreciation of right-of-use assets	953	953	3,302
Amortisation of intangible assets	249	274	373
Research and development costs	18,658	25,084	37,963
Auditor's remuneration	61	61	127
Loss on disposal of property, plant and equipment	125	364	20
Short term leases exempt from capitalisation under HKFRS 16	443	431	375
Interest income	(286)	(242)	(576)
Listing expenses	5,076	9,367	12,632
(Reversal of impairment losses)/impairment losses recognised on:			
— trade receivables	(2,867)	3,284	4,547
— financial assets included in prepayments, other receivables and other assets	39	38	(36)
— contract assets	(545)	549	1,374
	(3,373)	3,871	5,885
Staff costs including directors' emoluments			
— salaries. allowances and other benefits	34,422	46,043	61,487
— retirement benefit scheme contributions	4,229	7,610	10,101
Total staff costs, including directors' remunerations	38,651	53,653	71,588

15. 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		
	2021	**2022**	**2023**
Earnings:			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	13,423	36,533	55,211
Number of shares:			
Number of ordinary shares for the purpose of basic earnings per share	500,000,000	500,000,000	500,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the Capitalisation Issue as described in Appendix V to the Prospectus had been effective on 1 January 2021.

No diluted earnings per share is presented for the Relevant Periods as there was no potential ordinary share in issue.

16. DIVIDENDS

For the year ended 31 December 2021, the Company declared dividends of US$2,804,000 (equivalent to RMB19,331,000) to shareholders. The dividends have been fully paid in April 2021.

No dividends have been declared for the years ended 31 December 2022 and 2023.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Machinery and electronic equipment	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2021	72,561	523	965	27,679	2,924	1,165	105,817
Additions	—	471	366	1,499	165	2,034	4,535
Disposals	(190)	—	—	(245)	(217)	—	(652)
As at 31 December 2021 and 1 January 2022	72,371	994	1,331	28,933	2,872	3,199	109,700
Additions	—	159	—	1,342	237	320	2,058
Transfer from CIP	—	—	—	2,120	—	(2,120)	—
Disposals	(21)	—	—	(1,094)	—	—	(1,115)
As at 31 December 2022 and 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	72,350	1,519	1,585	34,098	3,438	1,806	114,796
Accumulated depreciation							
As at 1 January 2021	24,186	103	482	18,513	2,082	—	45,366
Provided for the year	3,260	225	166	1,623	215	—	5,489
Disposals	(107)	—	—	(214)	(198)	—	(519)
As at 31 December 2021 and 1 January 2022	27,339	328	648	19,922	2,099	—	50,336
Provided for the year	3,256	239	172	1,702	237	—	5,606
Disposals	(11)	—	—	(734)	—	—	(745)
As at 31 December 2022 and 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	33,840	996	1,026	22,343	2,576	—	60,781
Carrying amount							
As at 31 December 2021	45,032	666	683	9,011	773	3,199	59,364
As at 31 December 2022	41,766	586	511	10,411	773	1,399	55,446
As at 31 December 2023	38,510	523	559	11,755	862	1,806	54,015

At 31 December 2021, 2022 and 2023, the carrying amount of properties, plant and equipment pledged as security for the Company's bank loans amounted to RMB38,886,000, RMB36,199,000 and RMB33,512,000, respectively.

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.

18. INVESTMENT PROPERTY

	RMB'000
Cost	
As at 1 January 2021, 31 December 2021, 2022 and 2023	15,287
Accumulated depreciation	
As at 1 January 2021	2,731
Charge for the year	479
As at 31 December 2021 and 1 January 2022	3,210
Charge for the year	479
As at 31 December 2022 and 1 January 2023	3,689
Charge for the year	479
As at 31 December 2023	4,168
Net book value	
As at 31 December 2021	12,077
As at 31 December 2022	11,598
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 2021, 2022 and 2023, the carrying amount of investment properties pledged as security for the Company's bank loans amounted to RMB1,273,000, RMB1,194,000 and RMB1,115,000, respectively.

19. 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 2021, 31 December 2021 and 2022	47,927	—	47,927
Additions	—	7,341	7,341
As at 31 December 2023	47,927	7,341	55,268
Accumulated depreciation			
As at 1 January 2021	7,945	—	7,945
Charge for the year	953	—	953
As at 31 December 2021 and 1 January 2022	8,898	—	8,898
Charge for the year	953	—	953
As at 31 December 2022 and 1 January 2023	9,851	—	9,851
Charge for the year	953	2,349	3,302
As at 31 December 2023	10,804	2,349	13,153
Net book value			
As at 31 December 2021	39,029	—	39,029
As at 31 December 2022	38,076	—	38,076
As at 31 December 2023	37,123	4,992	42,115

20. INTANGIBLE ASSETS

	Purchased software
	RMB'000
Cost	
As at 1 January 2021	2,205
Additions	369
Disposal	(13)
As at 31 December 2021 and 1 January 2022	2,561
Additions	215
As at 31 December 2022 and 1 January 2023	2,776
Additions	1,361
As at 31 December 2023	4,137
Accumulated depreciation	
As at 1 January 2021	1,112
Charge for the year	249
Disposal	(13)
As at 31 December 2021 and 1 January 2022	1,348
Charge for the year	274
As at 31 December 2022 and 1 January 2023	1,622
Charge for the year	373
As at 31 December 2023	1,995
Net book value	
As at 31 December 2021	1,213
As at 31 December 2022	1,154
As at 31 December 2023	2,142

21. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	44	50	110
Goodwill	612	612	612
	656	662	772

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		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of the Group's investments in the associate	656	662	722

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's (loss)/profit for the year	(1)	6	60

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		As at 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity security				
Ningbo Bomijia Fund LP	*(a) (b)*	17,000	14,684	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 2021, 2022 and 2023, the Group has no control over Ningbo Bomijia's investment decisions and has no significant influence over Ningbo Bomijia.

(b) 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.

23. DEFERRED TAX ASSETS

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

Deferred tax assets	**Accruals**	**Provision for receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	771	1,007	1,778
Charged to profit or loss during the year	(21)	(526)	(547)
As at 31 December 2021 and 1 January 2022	750	481	1,231
Credited to profit or loss during the year	217	517	734
As at 31 December 2022 and 1 January 2023	967	998	1,965
Credited to profit or loss during the year	274	789	1,063
As at 31 December 2023	1,241	1,787	3,028

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	1,231	1,965	3,028

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	3,390	5,998	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.

24. INVENTORIES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Materials and components	4,275	7,089	6,409
Work in progress	9,086	19,340	55,629
Finished goods	31,686	26,216	3,983
Spare parts	285	483	721
	45,332	53,128	66,742

Inventories recognised as an expense were approximately RMB168,811,000, RMB273,006,000 and RMB336,261,000 during the years ended 31 December 2021, 2022 and 2023, respectively. These were included in cost of inventories.

25. TRADE AND NOTES RECEIVABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	125,878	269,921	285,170
Provision for impairment	(2,338)	(5,155)	(9,193)
	123,540	264,766	275,977
Notes receivables	36,636	44,992	50,939
	160,176	309,758	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 Relevant Periods, the loss allowance was assessed to be minimal.

At 31 December 2021, 2022 and 2023, the carrying amount of note receivables pledged as security for the Company's bank loans amounted to RMB2,217,000, RMB12,687,000 and Nil, respectively.

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.

At 31 December 2022, and 2023, the carrying amount of trade receivables pledged as security for the Company's bank loans amounted to RMB18,312,000 and Nil respectively.

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, as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	80,970	144,521	122,873
91 to 180 days	9,777	49,815	56,045
181 days to 1 year	11,040	47,620	72,707
Over 1 year but within 2 years	16,541	14,455	11,289
Over 2 years but within 3 years	4,514	7,475	10,673
Over 3 years but within 4 years	698	880	2,390
	123,540	264,766	275,977

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	5,400	2,338	5,155
(Reversal of impairment losses)/impairment losses, net	(2,867)	3,284	4,547
Amount written off as uncollectible	(195)	(467)	(509)
Closing balance	2,338	5,155	9,193

The significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the years ended 31 December 2021, 2022 and 2023 are result of a decrease of RMB3,062,000, an increase of RMB2,817,000 and an increase of RMB4,038,000 in loss allowance, respectively. At 31 December 2021, the decrease in loss allowance was mainly attributable to the improvement of settlement of long aged trade receivables. At 31 December 2022, and 2023, the increase was mainly attributable to the increase of gross carrying amounts of trade receivables.

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 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
At 31 December 2022						
Weighted average expected credit loss rate	0.90%	3.88%	10.00%	28.63%	100.00%	1.91%
Gross carrying amount *(RMB'000)*	244,149	15,038	8,306	1,233	1,195	269,921
Expected credit losses *(RMB'000)*	2,193	583	831	353	1,195	5,155
At 31 December 2021						
Weighted average expected credit loss rate	0.66%	2.48%	6.29%	43.57%	100.00%	1.86%
Gross carrying amount *(RMB'000)*	102,459	16,961	4,817	1,237	404	125,878
Expected credit losses *(RMB'000)*	672	420	303	539	404	2,338

The overall weighted average expected credit loss rate for the year ended 31 December 2022 of approximately 1.91% is similar to that of 2021. The overall weighted average expected credit loss rate increased to approximately 3.22% for the year ended 31 December 2023 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 2023 as compared to that as at 31 December 2022, in particular, as at 31 December 2023 and 2022, trade receivables aged between one to two years accounted for approximately 4.4% and 5.6%, respectively, of total gross trade receivables.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advance to staff	1,957	2,189	2,833
Deposits	6,798	7,816	7,228
Other receivables	4,263	2,926	3,556
Prepayments	8,203	16,262	22,286
Prepayments for listing	5,105	7,577	10,422
Amount due from controlling shareholders *(note 27)*	510	5,909	9,847
Other current assets	413	446	2,650
	27,249	43,125	58,822
Impairment	(456)	(501)	(464)
	26,793	42,624	58,358

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

27. 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 2023**	**Maximum amount outstanding during the year**
	RMB'000	*RMB'000*
Mr. Lu Bo	4,978	5,752
Ms. Lu Xiaojing	4,869	4,869
	9,847	10,621

Name	**At 31 December 2022**	**Maximum amount outstanding during the year**
	RMB'000	*RMB'000*
Mr. Lu Bo	5,454	5,454
Ms. Lu Xiaojing	454	454
	5,908	5,908

Name	**At 31 December 2021**	**Maximum amount outstanding during the year**
	RMB'000	*RMB'000*
Mr. Lu Bo	255	561
Ms. Lu Xiaojing	255	6,255
	510	6,816

The amount due from controlling shareholders of the Company is non-trade in nature, unsecured, non-interest bearing and repayable on demand. As at the Latest Practicable Date, the amount due from controlling shareholders as at 31 December 2023 have been fully settled.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Commercial bank's financing products	7,000	—	—

29. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	29,402	27,200	67,127
Less: Pledged deposits	16,230	5,810	21,457
	13,172	21,390	45,670

At 31 December 2021, 2022 and 2023, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB23,196,000, RMB26,320,000 and RMB66,911,000, respectively. 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.

30. TRADE AND NOTES PAYABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	104,160	114,752	100,966
Notes payables	2,438	12,042	48,381
	106,598	126,794	149,347

An ageing analysis of the trade and notes payables, as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	73,479	46,094	102,127
91 to 180 days	14,803	44,017	20,433
181 to 365 days	9,990	21,484	13,341
Over 1 year	8,326	15,199	13,446
	106,598	126,794	149,347

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

31. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	At 1 January 2021	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	20,241	22,579	37,097	51,189
Less: allowance for expected credit losses	(865)	(320)	(869)	(2,243)
	19,376	22,259	36,228	48,946
Contract liabilities	13,314	17,656	89,260	76,037

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.

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

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	17,656	89,260	76,037

Significant changes in contract liabilities during the year

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Increase due to operations in the year	17,656	82,059	72,907
Transfer of contract liabilities to revenue	(13,314)	(10,455)	(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.

32. ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Accrued salaries, wages and benefits	13,193	17,246	22,356
Amount due to controlling shareholders[(1)]	33	—	—
Other payables[(2)]	1,506	3,611	8,107
Other tax payables	7,260	27,625	10,731
	21,992	48,482	41,194

(1) Amount due to controlling shareholders are non-trade nature, non-interest-bearing and repayable on demand.

(2) Other payables are non-interest-bearing and repayable on demand.

33. BANK AND OTHER BORROWINGS

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Secured loans	63,000	78,000	97,982
Unsecured loans	2,748	600	23,854
	65,748	78,600	121,836
Current portion	(32,748)	(54,600)	(82,336)
Non-current portion	33,000	24,000	39,500

The effective interest rate of bank borrowings are as follows:

	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

	31 December 2022		
	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans — secured	4.00%–4.70%	2023	54,000
Bank loans — unsecured	4.08%–4.50%	2023	600
			54,600
Non-current			
Bank loans — secured	3.70%–6.00%	2024	24,000
			78,600

	31 December 2021		
	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans — secured	4.35%–4.70%	2022	30,000
Bank loans — unsecured	4.09%–4.50%	2022	2,748
			32,748
Non-current			
Bank loans — secured	3.70%–6.00%	2023–2024	33,000
			65,748

Maturity profile of bank borrowings as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	32,748	54,600	82,336
In the second year	18,000	24,000	13,100
In the third to fifth years, inclusive	15,000	—	26,400
	65,748	78,600	121,836

Bank borrowings of approximately RMB43,000,000, RMB33,000,000 and 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 2021, 2022 and 2023, respectively.

Bank borrowings of approximately RMB20,000,000 and RMB20,000,000 were guaranteed by Mr. Lu Bo and Ms. Lu Xiaojing and secured by property, plant and equipment as at 31 December 2021 and 2022, respectively.

Bank borrowings of approximately RMB10,000,000 were guaranteed by Mr. Lu Bo and Ms. Lu Xiaojing and secured by patents and trade receivables as at 31 December 2022.

Bank borrowings of approximately RMB10,000,000 were guaranteed by Mr. Lu Bo as at 31 December 2022.

Bank borrowings of approximately RMB30,000,000 were guaranteed by the Company as at 31 December 2023.

Bank borrowings of approximately RMB5,000,000 and RMB10,000,000 were secured by patents as at 31 December 2022 and 2023, respectively.

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.

The guarantees provided by the related parties of the Group will be released upon the Listing.

34. LEASE LIABILITIES

	As at 31 December 2023
	RMB'000
Within one year	2,504
After 1 year but within 2 years	1,482
After 2 years but within 5 years	422
	1,904
	4,408

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% per annum for the six months ended 31 December 2023.

35. SHARE CAPITAL

	As at 31 December		
	2021	**2022**	**2023**
	USD	*USD*	*USD*
Authorised:			
5,000,000,000 ordinary shares of US$0.00001 each	50,000	50,000	50,000

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares of US$0.00001 each	—	—	—

	Number of shares	**Paid-up capital**
		RMB
Issued:		
At 1 January 2021 *(note A)*	10,000	7
— issue of preferred shares *(note B)*	10,740	—
— re-designation *(note C)*	90,000	—
— issue of ordinary shares *(note D)*	3,470	1
At 31 December 2021, 2022 and 31 December 2023	114,210	8

Note A: The Company was incorporated in the Cayman Islands on 6 February 2020 with an authorised share capital of US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each. On the same day, 5,000 ordinary shares were issued to Richen Development Holdings Limited, which was owned by Ms. Lu Xiaojing, and 5,000 ordinary shares were issued to Riches Development Holdings Limited, which was owned by Mr. Lu Bo.

Note B: On 20 April 2021 and 13 May 2021, the Company had entered into Subscription Agreements, and issued 10,740 preferred shares at a total consideration of HK$23,651,000.

Note C: On 17 May 2021, the Company increased its authorised share capital from US$50,000 divided into 500,000,000 shares of US$0.0001 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each.

Note D: On 26 May 2021, 3,470 ordinary shares were issued to Risen Development Holdings Limited for a total consideration of US$919,000.

Note E: Upon completion of the Pre-IPO Investment, the authorised share capital of the Company was changed to USD$1.14, divided into 114,210 shares, consisting of (i) 103,470 ordinary shares of par value US$0.00001 each and (ii) 10,740 preferred shares of par value of US$0.00001 each.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods 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

	Capital reserve *RMB'000*	**Foreign currency translation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	—	(533)	249	(284)
Total comprehensive income for the year	—	1,637	17,467	19,104
Dividend declared and paid	—	—	(19,331)	(19,331)
Issue of shares	24,405	—	—	24,405
At 31 December 2021 and 1 January 2022	24,405	1,104	(1,615)	23,894
Total comprehensive loss for the year	—	170	(8,794)	(8,624)
At 31 December 2022 and 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	24,405	1,168	(20,955)	4,618

37. 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 2021	43,000	—
Changes in cash flows		
— Borrowing raised	59,748	—
— Repayment of borrowings	(37,000)	—
— Interest paid	(3,287)	—
Non-cash changes		
— interest charged	3,287	—
At 31 December 2021 and 1 January 2022	65,748	—
Changes in cash flows		
— Borrowing raised	66,709	—
— Repayment of borrowings	(53,857)	—
— Interest paid	(3,746)	—
Non-cash changes		
— interest charged	3,746	—
At 31 December 2022 and 1 January 2023	78,600	—
Changes in cash flows		
— Borrowing raised	122,854	—
— Repayment of borrowings	(79,618)	—
— Changes from financing activities	—	(2,933)
— New lease entered	—	7,341
— Interest paid	(5,716)	(205)
Non-cash changes		
— interest charged	5,716	205
At 31 December 2023	121,836	4,408

38. CONTINGENT LIABILITIES

At the end of Relevant Periods, the Group did not have any significant contingent liabilities.

39. RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Company
Mr. Lu Bo	The ultimate controlling shareholder
Ms. Lu Xiaojing	The ultimate controlling shareholder
Shanghai Lanrui Environmental Protection Energy Technology Co. Ltd. ("**Shanghai Lanrui**")	An entity controlled by the ultimate controlling shareholder

(b) Related party balances

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-Trade nature			
Amount due from controlling shareholders			
Mr. Lu Bo	255	5,454	4,978
Ms. Lu Xiaojing	255	454	4,869
	510	5,908	9,847
Amount due to controlling shareholders			
Mr. Lu Bo	33	—	—

All outstanding balance of the amounts due from controlling shareholders will be settled upon the Listing.

(c) Related party transactions

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Lease payment	29	314	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 12 to the Historical Financial Information.

40. NOTES TO STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Investment in a subsidiary

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Equity investment, at cost	19,128	19,128	19,128

(b) Prepayments, other receivables and other assets

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a subsidiary	861	807	821
Others	85	370	297
	946	1,177	1,118

(c) Cash and bank balances

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	4,102	667	182

(d) Accruals and other payables

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amount due to fellow subsidiaries	282	5,435	15,490
Others	—	267	320
	282	5,702	15,810

41. EVENTS AFTER THE RELEVANT PERIODS

On 29 May 2024, the Company distributed a dividend amounting to RMB20,000,000. Based on agreement entered into by Mr. Lu Bo and Ms. Lu Xiaojing on 30 May 2024, it was agreed that dividends distributed to Mr. Lu Bo of RMB8,755,800 were settled by offsetting with Group's receivables due from Mr. Lu Bo of approximately RMB4,718,000, and the dividends distributed to Ms. Lu Xiaojing of RMB8,755,800 were settled by offsetting with Group's receivables due from Ms. Lu Xiaojing of approximately RMB4,609,000.

42. SUBSEQUENT HISTORICAL FINANCIAL INFORMATION

No audited Historical Financial Information have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2023 and up to the date of this report.

43. COMMITMENTS

(a) The Group did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 December 2021, 2022 and 2023 pursuant to HKAS 16.

(b) The Group did not have any lease contracts that have not yet commenced as at 31 December 2021, 2022 and 2023 pursuant to HKFRS 16.

(c) The Group did not have any commitments as at 31 December 2021, 2022 and 2023 pursuant to HKFRS 12.

*The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years then ended 31 December 2023 (the "**Relevant Period**") (the "**Accountants' Report**") issued by ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information only.*

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed global offering of the Company's shares (the "**Global Offering**") on the audited consolidated net tangible assets of the Group attributable to owners of the Company at 31 December 2023 as if the Global Offering had taken place on 31 December 2023.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 or any future dates following the Global offering.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 as shown in the Accountants' Report, as set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 Per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an offer price of HK$1.39 per Share	293,013	124,687	417,700	0.84	0.91
Based on an offer price of HK$1.05 per Share	293,013	88,035	381,048	0.76	0.83

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2023 is arrived at after deducting the intangible assets of RMB2,142,000 from the audited consolidated net assets of RMB295,155,000 as of 31 December 2023, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The adjustment to the pro forma statement of net tangible assets reflects the estimated proceeds from the Global Offering of 125,000,000 Shares to be received by the Company. The estimated proceeds from the Global Offering is based on the Offer Price of lower limit and upper limit of HK$1.05 and HK$1.39 per Share, respectively, after deduction of estimated underwriting fee and other related expenses (excluding approximately RMB30,307,000 which have been recognised in the consolidated statement of comprehensive income prior to 31 December 2023).

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares expected to be in issue assuming the completion of the Global Offering on 31 December 2023 without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares. Details referred to the sections headed "Structure and Conditions of the Global Offering".

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, stated in Renminbi are converted into Hong Kong dollar at an exchange rate of RMB1 to HK$1.09, the rate prevailing on latest practicable date.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2023.

(6) The property interests valued in the property valuation report as set out in Appendix IV to this prospectus represented the investment properties of the Group. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. Revaluation surplus has not been recorded in the Historical Financial Information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation of approximately RMB222,000 would be charged against the profit in the future periods.

(7) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent does not take into account a dividend of RMB20 million paid by the Company before the Listing. Had the dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent and the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately RMB397,700,000 and HK$0.87, respectively (assuming an Offer Price of HK$1.39 per Share) and RMB361,048,000 and HK$0.79, respectively (assuming an Offer Price of HK$1.05 per Share).

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇 ZHONGHUI

28 June 2024

The Board of Directors
RUICHANG INTERNATIONAL HOLDINGS LIMITED

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted net tangible assets as at 31 December 2023 as set out on pages II-1 to II-2 of the prospectus issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Appendix II of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at 31 December 2023 as if the proposed global offering had taken place at 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years then ended 31 December 2023, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 24 June 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix VI in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 24 June 2024 and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

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 of the Company, 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 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 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.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard for of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 February 2020 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2024 of the selected property interest held by RUICHANG INTERNATIONAL HOLDINGS LIMITED.

JLL® 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

28 June 2024

The Board of Directors
RUICHANG INTERNATIONAL HOLDINGS LIMITED
Room 201, 2/F
No.1001, Qinzhou North Road
Xuhui District
Shanghai
PRC

Dear Sirs,

In accordance with your instructions to value the selected property interest held by RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 April 2024 (the "**valuation date**").

The selected property interest forms part of property activities that the property has a carrying amount of 1% or more of the Group's total assets and therefore the valuation report of this property interest is required to be included in this prospectus.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property, we have adopted the income approach in our valuation of the three buildings of the property by taking into account the rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

We also have adopted the direct comparison approach to value the remaining 2 parcels of land of the property assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the marketplace can be extrapolated to similar property, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Jia Yuan Law Offices, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out on 19 June 2024 by Ms. Queena Qiao who has 8 years' valuation experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 30 years' experience in the valuation of property in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2024 *RMB*
3 buildings and 2 parcels of land located at No. 1 Jinxin Road Jian Xi District Luoyang City Henan Province The PRC	Luoyang Ruichang Environmental Engineering Co., Ltd. industrial complex (the "**Project**") is located at No. 1 Jinxin Road, Jian Xi District. The locality is an industrial area in the western part of Luoyang City. Infrastructure in the locality is under further improvement. The Project has a total site area of approximately 100,060.70 sq.m. (including the land use rights of the property) which had been developed into an industrial development. The property which forms part of the Project comprises a 2-storey industrial building named as Block No. 3, two single-storey industrial buildings named as Block Nos. 7 and 8, which were completed between June 2015 and April 2016. Apart from the abovementioned 3 buildings, the property also comprises 2 parcels of bare vacant land (being portion of the land parcels of the Project). The property was held for investment by the Group as at the valuation date. The 3 buildings of the property have a total gross floor area of approximately 1,202.50 sq.m. The 2 parcels of bare vacant land of the property (Land 1 & Land 2) have a total site area of approximately 16,970.49 sq.m. The details are set out as follows:	As at the valuation date, portions of the property were rented to an independent third party for industrial, office and car parking space uses, whilst the remaining portion of the property was bare vacant land.	15,790,000

Property	Site Area/ Apportioned Site Area (sq.m.)	Gross Floor Area (sq.m.)
Block No. 3	541.57	794.56
Block No. 7	109.14	109.14
Block No. 8	298.80	298.80
Land 1	150.00	N/A
Land 2	16,820.49	N/A
Total:		1,202.50

The land use rights of the property have been granted for terms expiring on 5 January 2063 and 11 August 2063 for industrial use.

Notes:

1. Pursuant to 3 Real Estate Title Certificates — Yu (2020) Luo Yang Shi Bu Dong Chan Quan Di Nos. 00024066, 00024067 and 00024073, the land use rights of two parcels of land with a total site area of approximately 100,060.70 sq.m. (including the land use rights of the property) have been granted to Luoyang Ruichang Environmental Engineering Co., Ltd. ("**Luoyang Ruichang**", 洛陽瑞昌環境工程有限公司, a wholly-owned subsidiary of the Company) for the terms expiring on 5 January 2063 and 11 August 2063 for industrial use. The 3 buildings of the property with a total gross floor area of approximately 1,202.50 sq.m. are owned by Luoyang Ruichang.

2. Pursuant to a Tenancy Agreement entered into between Luoyang Ruichang and an independent third party, the property with a total apportioned site area of approximately 17,920.00 sq.m. and a total gross floor area of approximately 1,202.50 sq.m. was leased out for industrial use with the expiry date on 14 April 2025. The total monthly rent receivable as at the valuation date is RMB60,000, exclusive of management fees, water and electricity charges.

3. Our valuation has been made on the following basis and analysis:

   a. For the 3 buildings with their corresponding land use rights of the property, in undertaking our valuation:

      (i) we have considered the actual rent in the existing tenancy agreement and also compared with similar developments which are located in the Jian Xi District as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for the buildings;

      (ii) the unit rent of these comparable industrial units ranges from RMB0.90 to RMB1.50 per sq.m. per day; and

      (iii) based on our research of industrial park market in the surrounding area of the property, the stabilised market yield ranged from 6.0% to 7.0% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for the property as the capitalisation rate in the valuation.

   b. For the bare vacant land of the property (the "**Land Parcels**"), we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject land such as nature, use, size, layout and accessibility of the Land Parcels. The selected comparables are land sale comparables with same usage located in the area close to the subject land with similar conditions and facilities as the subject land. The unit price of these land sale comparables ranges from RMB574.5 to RMB598.0 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the land sale comparables and the Land Parcels to arrive at the assumed unit rate. The general basis of adjustment of physical characteristics like size and layout, etc. and location such as accessibility is that if the comparable land is better than the Land Parcels, a downward adjustment is made. Alternatively, if the comparable land is inferior or less desirable than the Land Parcels, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Pursuant to a Mortgage Contract — (2023) Xin Yu Yin Zui Di Zi Di No. 2300107 and a supplemental agreement dated 19 July 2023, the land use rights of 7 buildings named as Block Nos. 1, 2, 3, 5, 6, 7 and 8 located at No. 1 Jinxin Road, Jian Xi District Luoyang City, and the ownership rights of these buildings on the land with a total gross floor area of approximately 9,407.27 sq.m. (including the land use rights and the ownership rights of the property) are subject to a mortgage as a security in favour of China CITIC Bank, Luoyang Branch for bank facilities at a maximum amount of RMB68,000,000 with the security term from 10 July 2023 to 10 July 2026;

   b. Luoyang Ruichang has legally obtained the real estate title certificates for the land parcels and buildings as mentioned in note 1 and these certificates are legal and valid; and

   c. Luoyang Ruichang has completed the corresponding tenancy registration filing for the Tenancy Agreement as mentioned in note 2, the tenancy relationship is legally valid and binding on both parties of the Tenancy Agreement.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands on 6 February 2020 under the Companies Act as an exempted company with limited liability. Accordingly, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 June 2021. Mr. Lee Chung Shing of 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong has been appointed as our authorised representative for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of our Company

As at the date of our incorporation, our authorised share capital was US$50,000, divided into 500,000,000 shares of par value US$0.0001 each. Upon its incorporation, one subscriber Share was allotted and issued to our initial subscriber, Sertus Nominees (Cayman) Limited, who is an Independent Third Party on 6 February 2020. On the same day, Sertus Nominees (Cayman) Limited transferred one Share of our Company to Richen Development, Richen Development subscribed for an additional 4,999 Shares and Riches Development subscribed for an additional 5,000 Shares. As of 26 May 2021, our Company has a total issued share capital of 103,470 Shares and 10,470 series A preferred shares.

The following alterations in the share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

On 21 July 2023, Mr. Li Hua entered into a share purchase agreement with Riches Development and Richen Development (being entities controlled by our Controlling Shareholders), pursuant to which Riches Development and Richen Development agreed to each purchase from Mr. Li Hua 1,705 series A preferred shares, totaling 3,410 series A preferred shares (representing Mr. Li Hua's entire shareholding in our Company), at an aggregate consideration of HK$9.4 million, at HK$2,756.60 per series A preferred share. Upon completion of the transaction, Riches Development and Richen Development each voluntarily converted the acquired shares into ordinary shares of the Company.

Save as disclosed above, in the section headed "History, Reorganisation and Corporate Structure" and "— 4. Resolutions of our Shareholders Passed on 24 June 2024" below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of our Subsidiaries

Our principal subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed below and in the section headed "History, Reorganisation and Corporate Structure", there have been no alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus.

Ruijing (Jiangsu) Environmental Engineering Co., Ltd. (瑞境(江蘇)環境工程有限公司)

Ruijing (Jiangsu) Environmental Engineering Co., Ltd. was incorporated on 22 May 2024 with a registered capital of RMB10 million.

Shanghai Ruining Hanleng Energy Technology Co., Ltd. (上海瑞寧瀚冷能源科技有限公司)

Shanghai Ruining Hanleng Energy Technology Co., Ltd. was incorporated on 9 April 2024 with a registered capital of RMB3.33 million.

4. Resolutions of our Shareholders passed on 24 June 2024

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on 24 June 2024, it was resolved, among others:

(a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon Listing;

(b) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Shares which may be issued pursuant to the exercise of the Post-IPO Share Option Scheme and to be issued as mentioned in this prospectus; (2) the execution and delivery of the International Underwriting Agreement; and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:

(i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Capitalisation Issue and the Global Offering;

(ii) the grant of the Over-allotment Option by the Company to the International Underwriters to allot and issue up to 15% of the Offer Shares initially available under the Global Offering to cover, among other things, the over-allocations in the International Placing was approved;

(iii) the allotment and issuance of Shares upon exercise of the options that may be granted under the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date; and

(iv) the proposed Listing was approved and our Directors were authorised to implement such Listing;

(c) a general unconditional mandate was granted to our Directors to allot, issue (including any sale or transfer of treasury Shares) and deal with Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the total number of issued Shares immediately following the completion of the Capitalisation Issue and the Global Offering.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the Over-allotment Option. This general mandate to issue Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(e) the general unconditional mandate as mentioned in paragraph (c) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued (including any sale or transfer of treasury Shares) by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option); and

(f) the Post-IPO Share Option Scheme was approved and adopted, and will come into effect upon Listing.

5. Repurchase of our Shares

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, as a matter of the laws of the Cayman Islands, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase, if so authorised by the Memorandum and Articles of Association and subject to the Cayman Companies Act. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account, if so authorised by the Memorandum and Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not make a new issue or announce a proposed new issue of shares for a period of 30 days after any repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances.

(iv) Status of Repurchased Shares

The Company may cancel such repurchased Shares or hold them as treasury Shares, subject to market conditions and the Group's capital management needs at the relevant time of the repurchases.

(v) Reporting Requirements

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day on which the listed company makes a purchase of its shares. The report must state the total number of shares purchased by the listed company the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing its shares from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling its shares to the company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

Exercise in full of the current repurchase mandate, on the basis of 500,000,000 Shares in issue after completion of the Capitalisation Issue and the Global Offering (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 50,000,000 Shares being repurchased by us during the period prior to:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held; or

(iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the Companies Act or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a cornerstone investment agreement dated 26 June 2024 entered into among our Company, Huangshan City Investment Private Equity Fund Management Co., Ltd. (黃山建投私募基金管理有限公司), First Shanghai Capital Limited and First Shanghai Securities Limited pursuant to which Huangshan City Investment Private Equity Fund Management Co., Ltd. (黃山建投私募基金管理有限公司) agreed to subscribe for Shares at the Offer Price in the aggregate amount of HK$30.0 million, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(b) a cornerstone investment agreement dated 26 June 2024 entered into among our Company, Huangshan Chenghe Xinye Equity Investment Partnership (Limited Partnership) (黃山市誠合新業股權投資合夥企業(有限合夥)), First Shanghai Capital Limited and First Shanghai Securities Limited pursuant to which Huangshan Chenghe Xinye Equity Investment Partnership (Limited Partnership) (黃山市誠合新業股權投資合夥企業(有限合夥)) agreed to subscribe for Shares at the Offer Price in the aggregate amount of HK$20.0 million, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(c) a cornerstone investment agreement dated 26 June 2024 entered into among our Company, Emsdom Limited, First Shanghai Capital Limited and First Shanghai Securities Limited pursuant to which Emsdom Limited agreed to subscribe for Shares at the Offer Price in the aggregate amount of USD1.0 million, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(d) the Hong Kong Underwriting Agreement.

2. Our Material Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our material registered trademarks were as follows:

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Expiry date
1	RUICHANG	PRC	Luoyang Ruichang	14425419	6	13 August 2025
2		PRC	Luoyang Ruichang	14425429	6	6 June 2025
3		PRC	Luoyang Ruichang	14548613	11	27 June 2025
4	RUICHANG	PRC	Luoyang Ruichang	14548612	7	6 September 2025
5	RICHEN	PRC	Luoyang Ruichang	3066903	7	27 July 2033
6	RUICHANG	PRC	Luoyang Ruichang	14548609	9	27 October 2025
7		PRC	Luoyang Ruichang	14548610	9	27 June 2025
8		PRC	Luoyang Ruichang	14425513	11	27 May 2025
9	R●GLASS	PRC	Luoyang Ruichang	13272130	11	13 March 2025
10	[illegible]	PRC	Luoyang Ruichang	13272140	11	27 December 2024
11		PRC	Luoyang Ruichang	14425582	37	27 May 2025
12	RUICHANG	PRC	Luoyang Ruichang	14425570	37	27 May 2025
13	RUICHANG	PRC	Luoyang Ruichang	14425623	42	27 May 2025

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Expiry date
14		PRC	Luoyang Ruichang	14425638	42	27 May 2025
15	Ruichang	Hong Kong	The Company	305534929	7, 37, 42	10 February 2031

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

	Patent	Type of patent	Name of patent holder	Place of registration	Application no.	Application date	Publication Date
1	Low pressure drop floating type gas phase media water-sealed valve (一種低壓降浮動式氣相介質水封閥)	Invention	Luoyang Ruichang	PRC	2008100494275	27 March 2008	8 December 2010
2	Non-welded plate type heat exchanger (一種非焊接板式換熱器)	Invention	Luoyang Ruichang	PRC	2009100641705	23 January 2009	24 April 2013
3	Adjustable energy-saving catalytic auxiliary heating chamber with low main air pressure drop (一種可調式低主風壓降的節能催化輔助加熱室)	Invention	Luoyang Ruichang	PRC	2009100660602	4 September 2009	9 May 2012
4	Built-in integrated smoke exhaust-heat boiler burner for catalysis device (一種內置式一體化催化裝置煙氣餘熱鍋爐燃燒器)	Invention	Luoyang Ruichang	PRC	2009100662364	23 October 2009	15 February 2012
5	Plate type air preheater with glass as heat exchange plate (一種換熱板片為玻璃的板式空氣預熱器)	Invention	Luoyang Ruichang	PRC	2010105957783	20 December 2010	9 May 2012
6	The burner that a kind of gravity-flow ventilation and forced ventilation are switched fast (一種自然通風與強制通風快速切換的燃燒器)	Invention	Luoyang Ruichang	PRC	2011104168046	14 December 2011	25 May 2016
7	Efficient thermal oxidation furnace for low afterburning-amount smoke constant-speed grading reaction (一種低補燃量煙氣等速分級反應高效熱氧化爐)	Invention	Luoyang Ruichang	PRC	2012103236981	5 September 2012	24 December 2014
8	A kind of swinging low pressure drop water sealed tank (一種迴轉式低壓降水封罐)	Invention	Luoyang Ruichang	PRC	201210321101X	3 September 2012	4 May 2016
9	A kind of plate type ceramic air preheater (一種板式陶瓷空氣預熱器)	Invention	Luoyang Ruichang	PRC	2013100056411	8 January 2013	20 January 2016
10	Catalytic cracking regenerated flue gas condensing and desulfurising equipment and technique (一種催化裂化再生煙氣冷凝脫硫設備及工藝方法)	Invention	Luoyang Ruichang	PRC	201310005892X	8 January 2013	3 December 2014
11	Flue gas recirculating waste heat utilisation process (一種煙氣回流餘熱利用工藝)	Invention	Luoyang Ruichang	PRC	2013100058934	8 January 2013	3 December 2014

	Patent	Type of patent	Name of patent holder	Place of registration	Application no.	Application date	Publication Date
12	The plate type heat exchanger of Efficient non-metallic corrosion resistant heat-exchanger rig and this heat-exchanger rig of tool (高效非金屬抗腐蝕換熱裝置及具該換熱裝置的板式換熱器)	Invention	Luoyang Ruichang	PRC	2013104766585	14 October 2013	30 December 2015
13	Nonmetal corrosion-resistant heat exchange device and plate-type heat exchanger having same	Invention	Luoyang Ruichang	Europe	EP2980522B1	28 January 2014	4 December 2019
14	Nonmetal corrosion-resistant heat exchange device and plate-type heat exchanger having same	Invention	Luoyang Ruichang	U.S.	US10234217B2	28 January 2014	19 March 2019
15	The feed jet mixing section of riser reactor (提升管反應器的進料混合段)	Invention	Luoyang Ruichang	PRC	2014102159671	22 May 2014	25 November 2015
16	A kind of efficient burning low pressure drop CO incinerator (一種高效燃燒低壓降CO焚燒爐)	Invention	Luoyang Ruichang	PRC	2014107699591	15 December 2014	31 August 2016
17	A kind of liquid waste incinerator of built-in vaporising device (一種內置蒸發裝置的廢液焚燒爐)	Invention	Luoyang Ruichang	PRC	2014107685368	15 December 2014	8 March 2017
18	A kind of heat reclamation type incinerator (一種熱回收式焚燒爐)	Invention	Luoyang Ruichang	PRC	2014107685372	15 December 2014	8 March 2017
19	A kind of arc plate type heat exchanger (一種弧形板式換熱器)	Invention	Luoyang Ruichang	PRC	2014107685847	15 December 2014	24 August 2016
20	A kind of tubular arc heat exchange plate type heat-exchanger rig (一種筒狀弧形換熱板式換熱裝置)	Invention	Luoyang Ruichang	PRC	2014107677380	15 December 2014	17 August 2016
21	Plate type air preheating device with adjusting function (一種具有調節功能的板式空氣預熱裝置)	Invention	Luoyang Ruichang	PRC	2015100014827	5 January 2015	18 January 2017
22	A kind of plate type air preheating device with regulatory function (一種具有調節功能的板式空氣預熱裝置)	Utility Model	Luoyang Ruichang	PRC	2015200023126	5 January 2015	15 July 2015
23	A kind of catalytic cracking multistage atomizing nozzle (一種催化裂化多級霧化噴嘴)	Utility Model	Luoyang Ruichang	PRC	2015203238295	20 May 2015	2 September 2015
24	Flat flame burner with large turndown ratio (一種大調節比扁平焰燃燒器)	Invention	Luoyang Ruichang	PRC	2015104406678	24 July 2015	3 May 2017
25	Big flat flame combustor of turndown ratio (一種大調節比扁平焰燃燒器)	Utility Model	Luoyang Ruichang	PRC	2015205428881	24 July 2015	2 December 2015
26	A kind of torch burning pollutant emission detection system and detection method (一種火炬燃燒污染物排放檢測系統及檢測方法)	Invention	Luoyang Ruichang	PRC	2015105193626	24 August 2015	10 September 2019
27	Realise device of ultralow nitrogen oxide of heating furnace emission (一種實現加熱爐超低氮氧化物排放的裝置)	Utility Model	Luoyang Ruichang	PRC	2015206715991	1 September 2015	30 December 2015
28	Arc-shaped plate heat exchanger	Invention	Luoyang Ruichang	U.S.	US10119765B2	27 January 2016	6 November 2018
29	Arc-shaped plate heat exchanger	Invention	Luoyang Ruichang	Japan	JP6349465	14 June 2017	8 June 2018
30	White equipment is taken off except that haze to flue gas condensation behind wet flue gas desulfurisation (一種濕法脱硫後煙氣冷凝除霾脱白設備)	Utility Model	Luoyang Ruichang	PRC	2016202857926	8 April 2016	8 February 2017

	Patent	Type of patent	Name of patent holder	Place of registration	Application no.	Application date	Publication Date
31	A kind of condensation of wet-method desulfurised fume takes off white equipment and process except haze (一種濕法脱硫後煙氣冷凝除霾脱白設備及工藝方法)	Invention	Luoyang Ruichang	PRC	2016102141817	8 April 2016	16 July 2019
32	Self-preheating incinerator (一種自預熱焚燒爐)	Invention	Luoyang Ruichang	PRC	2016103006066	9 May 2016	15 December 2017
33	Reduce energy-conserving and environment-protective equipment of white cigarette of flue gas (一種降低煙氣白煙的節能環保設備)	Utility Model	Luoyang Ruichang	PRC	2016204606833	19 May 2016	12 October 2016
34	A kind of elastic pressuring clamping device for plate air preheater Abstract (一種用於板式空氣預熱器的彈性壓緊裝置)	Invention	Shanghai Ruiqieer	PRC	2016106434709	9 August 2016	26 December 2017
35	A kind of pure adverse current plate heat exchanger of no-welding type (一種非焊接式純逆流板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2016212978823	30 November 2016	9 June 2017
36	A kind of pure adverse current plate heat exchanger of no-welding type self-supporting (一種非焊接式自支撐純逆流板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2016212977500	30 November 2016	9 June 2017
37	A kind of low pressure drop type water sealed tank of low circulating resistance (一種低流通阻力的低壓降型水封罐)	Utility Model	Luoyang Ruichang	PRC	201621290443X	29 November 2016	13 June 2017
38	Low pressure drop water sealed tank (低壓降水密封罐)	Utility Model	Luoyang Ruichang	PRC	2016212896768	29 November 2016	1 August 2017
39	A kind of flue gas dehumidifying of wet desulphurization takes off white device (一種濕法脱硫用的煙氣除濕脱白裝置)	Utility Model	Luoyang Ruichang	PRC	2016212898994	29 November 2016	9 June 2017
40	A kind of gas phase and liquid phase heat exchange plate type heat exchanger for being used to reclaim flue gas waste heat (一種用於回收廢煙氣餘熱的氣相和液相熱交換板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2016214256395	23 December 2016	11 July 2017
41	A kind of critical velocity nozzle (一種臨界流遠噴嘴)	Utility Model	Luoyang Ruichang	PRC	2017201119892	7 February 2017	5 September 2017
42	A kind of anticorrosive plate type heat exchanger (一種防腐蝕板式換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2017202304551	10 March 2017	20 October 2017
43	A kind of horizontal water sealed tank of low pressure drop (一種低壓降臥式水封罐)	Utility Model	Luoyang Ruichang	PRC	2017203002474	27 March 2017	31 October 2017
44	A kind of chimney for eliminating wet desulphurization white cigarette (一種消除濕法脱硫白煙的煙囪)	Utility Model	Shanghai Ruiqieer	PRC	2017203964489	17 April 2017	1 December 2017
45	A kind of horizontal pipe side enters side and goes out formula water sealed tank (一種水平管道用側進側出式水封罐)	Utility Model	Luoyang Ruichang	PRC	201720396478X	17 April 2017	28 November 2017
46	A kind of anticorrosive plate type heat exchanger of augmentation of heat transfer (一種強化傳熱的抗腐蝕板式換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2017205087833	9 May 2017	16 January 2018
47	A kind of two-stage arc lamella heat exchanger (一種兩級弧形板殼式換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2017206490304	6 June 2017	12 January 2018
48	A kind of non-metallic corrosion resistant plate type heat exchanger (一種非金屬抗腐蝕板式換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2017209300138	28 July 2017	13 February 2018
49	A kind of heat exchanger with glass heat exchange component (一種具有玻璃換熱組件的換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2017211491951	8 September 2017	27 March 2018

	Patent	Type of patent	Name of patent holder	Place of registration	Application no.	Application date	Publication Date
50	Sulfur recovery method and equipment in carbon disulfide production (一種二硫化碳生產中的硫回收方法及設備)	Invention	Luoyang Ruichang	PRC	2018101571018	24 February 2018	6 August 2021
51	A kind of semi-dry desulphurization dust pelletizing system for catalytic cracking unit flue gas (一種用於催化裂化裝置煙氣的半乾法脫硫除塵系統)	Utility Model	Luoyang Ruichang	PRC	2018203032722	6 March 2018	11 January 2019
52	A kind of gas distribution grid for gas solid reactor (一種用於氣固反應器的氣體分佈板)	Utility Model	Luoyang Ruichang	PRC	2018208622054	5 June 2018	5 February 2019
53	A kind of SO of Claus plant flue gas 2 Removing process system (一種克勞斯硫磺回收裝置煙氣的SO2脫除工藝系統)	Utility Model	Luoyang Ruichang	PRC	2018211661228	23 July 2018	5 March 2019
54	A kind of waste heat boiler burner (一種餘熱鍋爐用燃燒器)	Utility Model	Luoyang Ruichang	PRC	2018211661247	23 July 2018	5 February 2019
55	A kind of sulfur recovery facility tail gas burning furnace (一種硫磺回收裝置用尾氣焚燒爐)	Utility Model	Luoyang Ruichang	PRC	2018215594218	25 September 2018	17 May 2019
56	A kind of burner of sulfur recovery facility tail gas burning furnace (一種硫磺回收裝置用尾氣焚燒爐的燃燒器)	Utility Model	Luoyang Ruichang	PRC	2018215594148	25 September 2018	25 June 2019
57	A kind of system for eliminating blast furnace slag quenching water white cigarette (一種消除高爐沖渣水白煙的系統)	Utility Model	Luoyang Ruichang	PRC	2019200559432	14 January 2019	18 October 2019
58	A kind of heat exchange plate group and plate heat exchanger (一種換熱板片組及板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2019201759370	31 January 2019	29 October 2019
59	A kind of high-sulfur exhaust treatment system (一種高硫尾氣處理系統)	Utility Model	Luoyang Ruichang	PRC	2019202465270	27 February 2019	3 December 2019
60	A kind of burner (一種燃燒器)	Utility Model	Luoyang Ruichang	PRC	2019202575834	28 February 2019	17 January 2020
61	Plate type heat exchanger (一種板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2019203406320	18 March 2019	21 January 2020
62	Electric dust remover and dust removing method thereof (一種電除塵器及其除塵方法)	Invention	Shanghai Ruiqieer	PRC	2019102046040	18 March 2019	14 February 2020
63	Chimney and flue gas processing system (一種煙囪及煙氣處理系統)	Utility Model	Shanghai Ruiqieer	PRC	2019205690124	24 April 2019	28 February 2020
64	Tube bundle type gas heat exchanger capable of preventing dew point corrosion (一種能防止露點腐蝕的管束式氣體換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2019209905360	26 June 2019	10 March 2020
65	Shockproof tool (一種防震工具)	Utility Model	Shanghai Ruiqieer	PRC	2019209743116	26 June 2019	3 July 2020
66	Heat exchange plate group and plate heat exchanger (一種換熱板片組及板式換熱器)	Utility Model	Luoyang Ruichang	PRC	201921142113X	19 July 2019	5 May 2020
67	Heat exchange module and heat exchanger (一種換熱模塊和換熱器)	Utility Model	Luoyang Ruichang	PRC	2019212803080	8 August 2019	19 May 2020
68	Plate type heat exchanger (一種板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2019212810629	8 August 2019	19 May 2020
69	Flue gas treatment device and flue gas treatment system (一種煙氣處理裝置及煙氣處理系統)	Utility Model	Luoyang Ruichang	PRC	2019213446057	19 August 2019	16 June 2020
70	Coke quenching tower flue gas processing system (一種熄焦塔煙氣處理系統)	Utility Model	Luoyang Ruichang	PRC	2019216176030	26 September 2019	30 June 2020
71	A kind of burner (一種燃燒器)	Utility Model	Luoyang Ruichang	PRC	2019216414306	29 September 2019	10 July 2020

	Patent	Type of patent	Name of patent holder	Place of registration	Application no.	Application date	Publication Date
72	Acid gas combustor (一種酸性氣燃燒器)	Utility Model	Luoyang Ruichang, Puguang Branch Zhongyuan Oilfield Sinopec (中國石化股份有限公司中原油田普光分公司), China Petroleum and Chemical Corp (中國石油化工股份有限公司), Petroleum Engineering Technology Research Institute of Sinopec Zhongyuan Oilfield Co. (中國石油化工股份有限公司中原油田分公司石油工程技術研究院)	PRC	2019218606438	31 October 2019	17 July 2020
73	Condenser for condensing sulfuric acid (一種用於硫酸冷凝的冷凝器)	Utility Model	Luoyang Ruichang	PRC	2020200069031	3 January 2020	27 October 2020
74	Heat exchange system (一種換熱系統)	Utility Model	Luoyang Ruichang	PRC	2020200076478	3 January 2020	9 October 2020
75	Combined plate type heat exchange system (一種組合式板式換熱系統)	Utility Model	Luoyang Ruichang	PRC	2020200076463	3 January 2020	9 October 2020
76	Optical fire observation window and heating furnace with same (一種光學觀火窗及具有其的加熱爐)	Utility Model	Luoyang Ruichang	PRC	202020166811X	7 February 2020	27 October 2020
77	Water-saving fog-dispersing dry-wet cooling tower (一種節水消霧型乾濕冷卻塔)	Utility Model	Luoyang Ruichang	PRC	2020202060008	25 February 2020	16 October 2020
78	Heat exchanger resistant to high-temperature sulfur corrosion (一種耐高溫硫腐蝕的換熱器)	Utility Model	Luoyang Ruichang	PRC	2020205675269	16 April 2020	27 November 2020
79	Self-suction type white mist eliminating demister (一種自吸式消白除霧器)	Utility Model	Luoyang Ruichang	PRC	202020568422X	16 April 2020	1 December 2020
80	Heat exchange module and plate heat exchanger with same (一種換熱模塊及具有其的板式換熱器)	Utility Model	Luoyang Ruichang	PRC	2020206527758	26 April 2020	15 December 2020
81	Blast furnace slag flushing dead steam whitening system (一種高爐沖渣乏汽消白系統)	Utility Model	Luoyang Ruichang	PRC	2020206905982	29 April 2020	8 January 2021
82	Blast furnace slag flushing dead steam white elimination system adopting phase-change heat accumulator for heat exchange (一種採用相變蓄熱體換熱的高爐沖渣乏汽消白系統)	Utility Model	Luoyang Ruichang	PRC	2020206925219	29 April 2020	18 December 2020
83	Heat exchange plate, heat exchange module and heat exchanger (一種換熱板片、換熱模塊及換熱器)	Utility Model	Luoyang Ruichang	PRC	2020207874394	13 May 2020	15 December 2020
84	Low-nitrogen tail gas incinerator (一種低氮尾氣焚燒爐)	Utility Model	Luoyang Ruichang	PRC	2020209373107	28 May 2020	23 July 2021
85	Low-heat value fuel gas burner (一種低熱值燃料氣燃燒器)	Utility Model	Luoyang Ruichang	PRC	2020209484665	29 May 2020	19 February 2021
86	A kind of burner (一種燃燒器)	Utility Model	Luoyang Ruichang	PRC	2020209484152	29 May 2020	9 March 2021
87	Thermal expansion self-absorption large-hole distribution plate (一種熱膨脹自吸式大孔分佈板)	Utility Model	Luoyang Ruichang	PRC	2020211673400	22 June 2020	5 January 2021
88	Sulfur recovery unit tail gas treatment system (一種硫磺回收裝置尾氣處理系統)	Utility Model	Luoyang Ruichang	PRC	2020212591037	30 June 2020	19 February 2021

	Patent	Type of patent	Name of patent holder	Place of registration	Application no.	Application date	Publication Date
89	Tail gas incineration disposal system (一種尾氣焚燒處置系統)	Utility Model	Luoyang Ruichang	PRC	202021261521X	1 July 2020	9 March 2021
90	Corrosion-resistant shell-and-tube heat exchanger (一種耐腐蝕管殼式換熱器)	Utility Model	Luoyang Ruichang	PRC	2020216828713	13 August 2020	23 April 2021
91	Pure countercurrent shell-and-tube heat exchanger (一種純逆流管殼式換熱器)	Utility Model	Luoyang Ruichang	PRC	2020216840607	13 August 2020	30 March 2021
92	Tube heat exchanger connected in sections (一種分段連接的管式換熱器)	Utility Model	Luoyang Ruichang	PRC	2020217098050	17 August 2020	26 March 2021
93	Heat exchanger capable of preventing dust accumulation and blockage (一種防積灰堵塞換熱器)	Utility Model	Shanghai Ruiqieer	PRC	2020221465495	27 September 2020	4 June 2021
94	Catalytic cracking device with heat exchanger capable of preventing dust deposition and blocking (一種帶防積灰堵塞換熱器的催化裂化裝置)	Utility Model	Shanghai Ruiqieer	PRC	2020221470050	27 September 2020	8 June 2021
95	Sulfur recovery tail gas treatment system with heat exchanger capable of preventing dust deposition and blocking (一種帶防積灰堵塞換熱器的硫磺回收尾氣處理系統)	Utility Model	Shanghai Ruiqieer	PRC	2020221468084	27 September 2020	3 August 2021
96	Device for reducing CO emission of heating furnace (一種降低加熱爐CO排放裝置)	Utility Model	Shanghai Ruiqieer	PRC	2020221771912	29 September 2020	13 July 2021
97	Combined low-pressure-drop wear-resistant main air distributor and regenerator (組合式低壓降耐磨主風分佈器及再生器)	Utility Model	Luoyang Ruichang	PRC	2020221639976	28 September 2020	2 July 2021
98	Catalytic auxiliary heating device (一種催化輔助加熱裝置)	Utility Model	Luoyang Ruichang	PRC	2020225147063	4 November 2020	30 July 2021
99	CO2 reduction of hydrogen production device Matched burner of discharge process heating furnace (一種製氫裝置減少CO2排放工藝加熱爐配套燃燒器)	Utility Model	Luoyang Ruichang, China Petroleum and Chemical Corp (中國石油化工股份有限公司)	PRC	2019203937743	27 March 2019	3 January 2020

(c) Copyrights

As of the Latest Practicable Date, there were no copyrights which were material in relation to our Group's business.

(d) Domain Names

As of the Latest Practicable Date, our material domain names were as follows:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	ruichang.com.cn	Luoyang Ruichang	25 May 1999	25 May 2025
2.	瑞昌石化.cn	Luoyang Ruichang	21 January 2014	21 January 2025
3.	瑞昌石化.com	Luoyang Ruichang	21 January 2014	21 January 2025
4.	瑞昌石化.net	Luoyang Ruichang	21 January 2014	21 January 2025
5.	洛阳瑞昌.com	Luoyang Ruichang	4 January 2021	4 January 2025
6.	洛阳瑞昌.cn	Luoyang Ruichang	4 January 2021	4 January 2025
7.	瑞昌環境工程.com	Luoyang Ruichang	4 January 2021	4 January 2025
8.	瑞昌環境工程.cn	Luoyang Ruichang	4 January 2021	4 January 2025

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of the Directors and chief executive of the Company immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

Name of Director/ Chief Executive	Capacity/Nature of interest(1)	Number of Shares held	Approximately percentage of shareholding
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 and after adjustment pursuant to the Capitalisation Issue.

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.

(b) Interests of the substantial Shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial Shareholders of other members of our Group

So far as our Directors are aware, as at the Latest Practicable Date, no persons are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

2. Particulars of Directors' Service Contracts and Letters of Appointment

Each of Mr. Lu Bo, Ms. Lu Xiaojing, Ms. Bai Wei, Mr. Shao Song and Ms. Wu Rui, being our executive Directors, has entered into a service contract with us 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 our Company.

Each of Mr. Tu Shenwei, Mr. Zhang Shengjie and Mr. Bau Siu Fung, being our independent non-executive Directors, has entered into a letter of appointment with us 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 independent non-executive Director or our Company.

None of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate amount of remuneration which was paid to our Directors for the years ended 31 December 2021, 2022 and 2023 were approximately RMB1.4 million, RMB1.4 million and RMB2.6 million, respectively.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individual (including both employees and Directors) for the years ended 31 December 2021, 2022 and 2023 were approximately RMB3.3 million, RMB3.3 million and RMB3.0 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for each of the years ended 31 December 2021, 2022 and 2023 as (a) an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended 31 December 2021, 2022 and 2023.

4. Disclaimers

(a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) none of our Directors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of the Company have any interests in the five largest customers or the five largest suppliers of the Group; and

(d) each of our executive and non-executive Directors have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates (as defined in the Listing Rules) had interests in any business other than our business, which compete, or is likely to compete, either directly or indirectly with our business that would require disclosure under Rule 8.10 of the Listing Rules.

D. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme which was conditionally adopted pursuant to the resolutions of the Shareholders dated 24 June 2024:

1. Purpose of the Post-IPO Share Option Scheme

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.

2. Who may join and basis of eligibility

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 (collectively, the "**Eligible Participants**").

3. Status of the Post-IPO Share Option Scheme

(a) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall take effect subject to and is conditional upon: (i) the passing of the necessary resolutions to adopt the Post-IPO Share Option Scheme by our Shareholders and the Board of Directors; (ii) the Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Post-IPO Share Option Scheme; and (iii) the commencement of dealing in the shares on the Stock Exchange (the "**Conditions**").

(b) Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the last of the conditions set out in paragraph 3(a) above is fulfilled (the "**Scheme Period**"), 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.

4. Grant of Options

(a) Making of offer

An offer shall be made to an Eligible Participant by a letter in duplicate (the "**Offer Document**") in such form as the Board may from time to time determine which requires the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme. Each offer shall remain open for acceptance for a period of not more than 10 business days from the date on which the Offer Document is delivered to the Eligible Participant provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Post-IPO Share Option Scheme.

(b) Acceptance of an offer

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.

(c) Restrictions on time of grant

No offer shall be made and no option shall be granted to any Eligible Participant in circumstances prohibited by the Listing Rules or at a time when the Eligible Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or laws. No offer shall be made and no option shall be granted to any Eligible Participants after inside information has come to the knowledge of the Company until such inside information has been published in an announcement in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

i. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company's quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules); and

ii. the deadline for the Company to publish an announcement of its quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option may be granted. Such period will also cover any period of delay in the publication of any results announcement.

(d) Terms of an option

The Offer Document may include any minimum period(s) for which an Option must be held and/or any minimum performance target(s) that must be achieved, before the Option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

(e) Grant to directors, chief executives and substantial shareholders or any of their respective associates

Each grant of options to any director, chief executive or substantial shareholder of our Company or any of their respective associates shall be subject to prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued (or treasury Shares which may be transferred) upon exercise of all options already granted an to be granted (including options lapsed in accordance with the terms of the scheme) to such person in the 12 months period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting. The Company shall send a circular to its Shareholders no later than the date on which the Company gives notice of the general meeting to approve such grant. The relevant Eligible Participant, his associates and all core connected persons of the Company shall abstain from voting at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. The circular to be issued by the Company shall contain (i) the details of the number and terms of the options to be granted to each Eligible Participant which must be fixed before the Shareholders' meeting and the date of board meeting for proposing such further grant is to be taken as the Date of Grant for the purpose of calculating the exercise price; and (ii) the views of the independent non-executive directors of the Company (excluding any independent non-executive director who is the relevant Eligible Participant) to the independent Shareholders as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Group and its shareholders as a whole, and their recommendation as to whether to vote for or against the resolution relating to the grant of the options; and (iii) other information required under relevant Listing Rules.

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph (d), the relevant director, chief executive, substantial shareholder, his associates and all core connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll.

5. 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.

6. Maximum number of Shares available for subscription

(a) 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**") which is expected to be 50,000,000 Shares. 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**"), which is expected to be 5,000,000 Shares.

(b) Renewal of Scheme Mandate Limit

Subject to the terms of the Post-IPO Share Option Scheme, the Company may refresh the Scheme Mandate Limit and the Service Provider Sublimit at any time subject to prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the renewed scheme mandate limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval by the Shareholders in general meeting. Options previously granted under the Post-IPO Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable terms or already exercised, will not be counted for the purpose of calculating the limit as renewed. A circular in accordance with the requirements of the Listing Rules shall be sent to the Shareholders in connection with the meeting at which their approval will be sought.

(c) Grant of options beyond Scheme Mandate Limit

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit or the renewed scheme mandate limit provided that the options in excess of the Scheme Mandate Limit are granted only to Eligible Participants who are specifically identified before the Shareholders' meeting where such approval is sought.

For the purpose of seeking the approval of our Shareholders under this paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the identified Eligible Participants, the number and terms of the options to be granted, the purpose of granting such options, how those options serve such purpose and all other information required under the Listing Rules. The number and terms of options to be granted to such participant must be fixed before shareholder's approval. In respect of any Options to be granted, the date of the Board meeting for proposing such Grant should be taken as the date of Grant for the purpose of calculating the Subscription Price.

(d) Performance targets and clawback mechanism

Unless otherwise imposed by the Board and stated in the relevant offer letter, there is neither any performance targets required to be achieved by any Grantee before the option may be exercised by the Grantee nor any clawback mechanism under the Post-IPO Share Option Scheme for the Company to recover or withhold any remuneration (which may include options granted to any Grantee) to any Eligible Participants in the event of serious misconduct, a material misstatement in the Company's financial statements or other circumstances.

(e) Grantee's maximum holding

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.

Where any further grant of options or awards to a Eligible Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon (or to be transferred out of treasury Shares) exercise of all options or awards granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or his associates of the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and all other information required under the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Eligible Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) Adjustment

The number of Shares subject to the options and to the Post-IPO Share Option Scheme shall be adjusted, in such manner as our Company's auditors or the independent financial adviser of the Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of the Company.

7. Capital Restructuring

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, sub-division or consolidation of Shares, or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(1) the number or nominal amount of Shares subject to any outstanding option so far as unexercised; and/or

(2) the Subscription Price; and/or

(3) the method of exercise of the option;

or any combination thereof, as the auditors or the independent financial adviser of the Company shall at the request of the Company, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such adjustments shall give each Grantee the same proportion of the equity capital of the Company as that to which the Grantee was previously entitled to subscribe prior to such adjustments, but not so that the effect would be to enable any Share to be issued (or to be transferred out of treasury Shares) to a Grantee at less than its nominal value.

(b) Independent financial adviser confirmation

In respect of any adjustment under sub-paragraph (a) above, auditors or independent financial adviser of the Company shall confirm in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any option granted but not exercised may be cancelled if the Grantee so agrees. Issuance of new options to the same Grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest in favour of or enter into any agreement with any third party over or in relation to any. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such Grantee without incurring any liability on the part of the Company.

10. Rights attached to the Shares

The Shares to be allotted and issued (or to be transferred out of treasury Shares) upon exercise of an option will be subject to all the provisions of our memorandum and articles of association for the time being in force and will rank pari passu with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, save that the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

11. Exercise of options

(a) General

The Offer Document may include any minimum vesting period(s) for which an Option must be held and/or any minimum performance target(s) that must be achieved, before the Option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally. The vesting period for the Options shall generally not be not 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.

An option may, subject to its terms, 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).

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the Grantee at any time during the Option Period, provided that:

(i) in the event the Grantee ceases to be an Eligible Participant for reason of his or her death, ill-health or retirement in accordance with his or her contract of employment before exercising the option in full and none of the events for termination of employment specified in paragraph 12 below with respect to such Grantee, the personal representative(s) of the Grantee or the Grantee (as the case may be) shall be entitled to exercise the option (to the extent not already exercised), in whole or in part, up to the entitlement of such Grantee as at the date of death or the date of cessation due to ill-health or retirement within a period of 12 months from such date of death or cessation;

(ii) in the event a Grantee (being an employee or a director of any member of our Group) ceases to be an Eligible Participant for any reason other than (i) his or her death, ill-health or retirement in accordance with his or her contract of employment or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 12 below, the Grantee shall have the right to exercise those options then already vested in accordance with the terms of the Post-IPO Share Option Scheme (to the extent not already exercised) at any time prior to or on the date of expiry of one (1) month period after the date of cessation unless the Board otherwise determines, in which event the option shall be exercisable, in whole or in part, to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of the Group) shall be the last actual working day on which the Grantee was physically at work with the relevant member of the Group, whether salary is paid in lieu of notice or not; (iii) in the event of a general offer and voluntary winding-up of the Company, the Grantee shall have the rights as specified in paragraphs (b) to (d) below.

(b) Rights on a takeover

In the event of a general offer, by way of takeover or otherwise (other than by way of scheme of arrangement), is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror and such offer becomes or is declared unconditional prior to the expiry date of the relevant option), our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or to the extent notified by the Company, at any time within such period as shall be notified by the Company.

In the event of a general offer by way of scheme of arrangement and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee, and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option to its full extent or to the extent notified by the Company.

(c) Rights on a voluntary winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice to all Grantees. Each Grantee (or in the case of the death of the Grantee, his personal representative(s)) may at any time within such period as shall be notified by the Company, subject to the provisions of all applicable laws, exercise the option to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three (3) days prior to the date of the proposed general meeting, allot, issue and register in the register of members of the Company the name of the Grantee as holder of such number of fully paid Shares which fall to be issued on exercise of such option.

(d) Rights on a compromise or arrangement

If a compromise or arrangement (other than a scheme of arrangement) between our Company and our Shareholders and/or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice (together with a notice of the existence of the provisions of this paragraph) to all the Grantees on the same day as it gives notice of the meeting to its shareholders and/or creditors to consider the compromise or arrangement. The Grantee may exercise all or any of his options in whole or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three (3) days prior to the date of the proposed meeting, allot, issue and register in the register of members of the Company the name of the Grantee as holder of such number of fully paid Shares which fall to be issued on exercise of such option.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in paragraphs 11(a) to (d) above;

(iii) the date of which the Grantee commits a breach under the Post-IPO Share Option Scheme;

(iv) the date on which the Grantee (being an employee or a director of any member of the Group) ceases to be an Eligible Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(v) the date on which the Grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of the Company, unless the Board otherwise determines;

(vi) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts when they fall due or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vii) unless the Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (i) and (ii) above.

13. Amendment of the Post-IPO Share Option Scheme

(a) Amendments requiring Board approval

Any amendment to the Post-IPO Share Option Scheme other than those set out in paragraph 13(b) below must be approved by the Board.

(b) Amendments requiring shareholder approval

The following matters require the prior sanction of a resolution of the Shareholders in general meeting:

Any change to the provisions relating to:

a. the matters set out in Rule 17.03 of the Listing Rules;

b. any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature;

c. any change to the terms of options granted; and

d. any change to the authority of the director of the Company or scheme administrators in relation to any alternation to the terms of the Post-IPO Share Option Scheme.

14. Termination

Our Company may at any time terminate the operation of the Post-IPO Share Option Scheme by resolution of the Board or ordinary resolution of the Shareholders in general meeting and in such event no further options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of the Post-IPO Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

15. Administrator

The Post-IPO Share Option Scheme shall be administered by the Board, and the decision of the Board shall be final and binding on all parties.

As of the Latest Practicable Date, no option had been granted by our Company under the Post-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Tax and Other Indemnity

Mr. Lu Bo and Ms. Lu Xiaojing have entered into a Indemnity Undertaking in favour of the Company (for itself and as trustee for the benefit of each of its subsidiaries from time to time) to provide indemnities in accordance with the Indemnity Undertaking, in respect of, among other things, any taxation resulting from income, profits or gains earned, accrued or received, as well as any fines, penalties, claims, costs, expenses, losses, indebtedness, damages and other liabilities resulting from or in connection with non-compliance set forth in the section headed "Business — Regulatory Compliance" when the Global Offering becomes unconditional.

2. Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

3. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

4. Estate Duty

Our Directors confirmed that no material liability for estate duty is likely to fall on any member of our Group.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue (including the Shares issued pursuant to the conversion of the Preferred Shares and the Capitalisation Issue), the Shares which may be issued pursuant to the exercise of the Post-IPO Share Option Scheme and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

7. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 December 2023 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this prospectus.

8. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Underwriting Arrangements and Expenses — The International Placing — Commissions and Expenses.".

9. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
First Shanghai Capital Limited	Licensed corporation under the SFO for Type 6 (advising on corporate finance) regulated activities as defined under the SFO
ZHONGHUI ANDA CPA Limited	Certified public accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance
Jia Yuan Law Offices	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
DLA Piper Singapore Pte. Ltd.	Legal advisers to our Company as to International Sanctions

10. Consents

Each of the experts named in paragraph headed "9. Qualifications of Experts" above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

11. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees payable by us in respect of its services as the sole sponsor for the Listing is HK$6,900,000.

12. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Taxation of Holders of Our Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Potential investors in the Global Offering are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Overall Coordinators, the Sole Sponsor, the Joint Global Coordinator, or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

14. Miscellaneous

(i) none of our Directors or experts referred to in this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(ii) none of the Directors or experts referred to in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(iii) save for the Underwriting Agreements, none of the experts referred to in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(iv) within the two years preceding the date of this prospectus, no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(v) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(vi) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in the Company;

(vii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(viii) our Company has no outstanding convertible debt securities or debentures;

(ix) no capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(x) there is no arrangement under which future dividends are waived or agreed to be waived;

(xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(xii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought.

15. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of each of the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further Information about the Business of our Group — 1. Summary of Material Contracts"; and (iii) the written consents issued by each of the experts referred to in section headed "Appendix V — Statutory and General Information — E. Other information — 9. Qualifications of Experts".

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.ruichang.com.cn** during a period of 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the accountants' report of our Group for the years ended 31 December 2021, 2022 and 2023 prepared by ZHONGHUI ANDA CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the report received from ZHONGHUI ANDA CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of the Group for the years ended 31 December 2021, 2022 and 2023;

(e) the PRC legal opinions issued by Jia Yuan Law Offices, our legal advisers on PRC law, in respect of our general matters and property interests;

(f) the letter and valuation certificate in relation to the property interest of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix IV to this document;

(g) the legal memorandum issued by DLA Piper Singapore Pte. Ltd., our International Sanctions Legal Adviser;

(h) the letter issued by Maples & Calder (Hong Kong) LLP, our legal advisers on Cayman Islands laws, summarising certain aspects of Companies Act referred to in the section headed "Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law";

(i) the Companies Act;

(j) the industry report prepared by Frost and Sullivan;

(k) the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further Information about the Business of our Group — 1. Summary of Material Contracts";

(l) the service agreements and letters of appointment referred to in "Appendix V — Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 2. Particulars of Directors' Service Contracts and Letters of Appointment";

(m) the rules of the Post-IPO Share Option Scheme; and

(n) the written consents issued by each of the experts referred to in the section headed "Appendix V — Statutory and General Information — E. Other Information — 9. Qualifications of Experts".

RUICHANG INTERNATIONAL HOLDINGS LIMITED
瑞 昌 國 際 控 股 有 限 公 司