

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CONTIOCEAN ENVIRONMENT TECH GROUP CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED

INTRODUCTION

We report on the historical financial information of ContiOcean Environment Tech Group Co., Ltd.* (“上海匯舸環保科技集團股份有限公司”) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-80, which comprises the consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, 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 of the Group for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the “**Track Record Period**”) 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-80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 31, 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the 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.

* English name for identification purpose only

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 gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 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 of the Company, 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 Group's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, of the Company's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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 14 to the Historical Financial Information which contains information about the dividend declared and paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

December 31, 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 consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (the “IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

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 December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5	140,521	267,233	510,255	219,556	336,466
Cost of sales		(93,012)	(167,151)	(268,518)	(118,378)	(193,684)
Gross profit		47,509	100,082	241,737	101,178	142,782
Other income	7	2,233	702	3,612	1,279	2,631
Other gains and losses	8	4,033	(5,219)	(6,576)	(7,527)	5,345
Distribution and selling expenses		(13,152)	(16,188)	(27,744)	(12,163)	(20,550)
Administrative expenses		(18,277)	(24,907)	(47,336)	(17,306)	(23,495)
Research and development expenses		(6,526)	(9,793)	(18,929)	(5,566)	(10,148)
Share of results of associates	17	—	(897)	(1,722)	(767)	—
Impairment losses under expected credit loss ("ECL") model, net of reversal		(924)	(709)	(1,700)	(521)	(304)
Finance costs	9	(132)	(176)	(558)	(119)	(443)
Profit before tax	10	14,764	42,895	140,784	58,488	95,818
Income tax expense	11	(1,995)	(6,118)	(20,250)	(8,760)	(13,736)
Profit for the year/period		12,769	36,777	120,534	49,728	82,082
Other comprehensive income (expense)						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Share of other comprehensive income (expense) of an associate		—	117	(117)	(59)	—
Exchange differences arising on translation of foreign operations		(1,039)	3,445	(350)	1,485	(2,594)
Other comprehensive (expense) income for the year/period, net of income tax		(1,039)	3,562	(467)	1,426	(2,594)
Total comprehensive income for the year/period		11,730	40,339	120,067	51,154	79,488
Profit (loss) for the year/period attributable to:						
Owners of the Company		12,754	36,735	120,556	49,572	82,494
Non-controlling interests		15	42	(22)	156	(412)
Profit for the year/period		12,769	36,777	120,534	49,728	82,082
Total comprehensive income (expense) for the year/period attributable to:						
Owners of the Company		11,749	40,139	119,977	51,059	80,146
Non-controlling interests		(19)	200	90	95	(658)
		11,730	40,339	120,067	51,154	79,488
EARNINGS PER SHARE						
Basic (in RMB)	13	0.43	1.22	4.02	1.65	2.75

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets					
Property, plant and equipment	15	54,106	51,164	49,103	48,111
Right-of-use assets	16	9,835	8,463	9,460	8,690
Interests in associates	17	—	3,236	—	—
Goodwill	18	—	—	8,524	8,585
Other intangible assets	20	123	108	94	86
Deferred tax assets	21	1,485	2,430	3,433	2,125
Prepayment for purchase of property, plant and equipment		109	217	88	36
		<u>65,658</u>	<u>65,618</u>	<u>70,702</u>	<u>67,633</u>
Current Assets					
Inventories	22	32,329	87,287	87,382	37,114
Trade and other receivables	23	89,665	83,462	88,193	82,117
Contract assets	24	—	503	719	1,260
Contract costs	25	—	2,930	11,900	12,382
Tax recoverable		552	442	—	—
Financial assets at fair value through profit or loss (“FVTPL”)		504	—	—	—
Amount due from a related party	26	8,012	—	—	—
Amounts due from directors and supervisors	12	10,121	10,907	—	—
Term deposits with an original maturity over three months but within one year	27	—	—	35,414	—
Term deposits with an original maturity over one year	27	—	—	10,000	10,000
Restricted bank deposits	27	51,482	58,844	40,776	44,583
Cash and cash equivalents	27	<u>100,082</u>	<u>66,723</u>	<u>177,414</u>	<u>155,634</u>
		<u>292,747</u>	<u>311,098</u>	<u>451,798</u>	<u>343,090</u>

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Current Liabilities					
Trade and other payables	28	45,871	60,048	55,581	102,006
Bank borrowings	29	—	4,118	19,900	11,950
Income tax payable		9,097	12,081	9,934	11,800
Lease liabilities	30	1,171	899	1,395	1,248
Provisions	31	252	503	4,539	6,643
Contract liabilities	24	169,678	161,114	174,862	21,740
Amounts due to related parties	26	14,047	275	—	—
Other current liabilities		3,142	1,153	5	—
		<u>243,258</u>	<u>240,191</u>	<u>266,216</u>	<u>155,387</u>
Net Current Assets		<u>49,489</u>	<u>70,907</u>	<u>185,582</u>	<u>187,703</u>
Total Assets Less Current Liabilities		<u>115,147</u>	<u>136,525</u>	<u>256,284</u>	<u>255,336</u>
Capital and Reserves					
Share capital/paid-in capital	32	20,000	20,000	30,000	30,000
Reserves		<u>92,019</u>	<u>114,122</u>	<u>222,129</u>	<u>207,405</u>
Equity attributable to owners of the Company		112,019	134,122	252,129	237,405
Non-controlling interests		<u>1,581</u>	<u>1,781</u>	<u>2,662</u>	<u>2,004</u>
Total Equity		<u>113,600</u>	<u>135,903</u>	<u>254,791</u>	<u>239,409</u>
Non-Current Liabilities					
Bank borrowings	29	—	—	—	15,000
Deferred tax liabilities	21	80	—	—	—
Lease liabilities	30	1,467	622	1,493	927
		<u>1,547</u>	<u>622</u>	<u>1,493</u>	<u>15,927</u>
		<u>115,147</u>	<u>136,525</u>	<u>256,284</u>	<u>255,336</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets					
Property, plant and equipment	15	3,243	2,404	2,450	2,522
Right-of-use assets	16	1,878	855	2,268	1,719
Investments in subsidiaries	19	45,000	45,648	46,355	56,708
Other intangible assets	20	123	108	94	86
Deferred tax assets	21	10	359	450	609
Prepayment for purchase of property, plant and equipment		—	130	—	36
		50,254	49,504	51,617	61,680
Current Assets					
Inventories	22	18,764	29,820	17,842	4,121
Trade and other receivables	23	68,404	170,245	131,747	111,775
Contract assets	24	—	503	—	—
Contract costs	25	—	2,930	2,656	238
Financial assets at FVTPL		504	—	—	—
Amount due from a subsidiary	26	22,037	13,994	9,219	10,233
Amounts due from directors and supervisors	12	412	300	—	—
Term deposits with an original maturity over one year	27	—	—	10,000	10,000
Restricted bank deposits	27	51,482	58,844	40,776	33,706
Cash and cash equivalents	27	19,743	15,981	84,044	54,353
		181,346	292,617	296,284	224,426

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Current Liabilities					
Trade and other payables	28	16,198	51,366	20,715	76,285
Amount due to a related party	26	14,000	—	—	—
Amounts due to subsidiaries	26	—	55,992	61,603	30,988
Bank borrowings	29	—	—	9,900	9,950
Income tax payable		6,359	7,494	4,191	2,598
Lease liabilities	30	942	612	1,081	1,066
Provisions	31	—	194	1,499	2,097
Contract liabilities	24	97,880	122,534	49,109	—
Other current liabilities		3,080	1,147	—	—
		138,459	239,339	148,098	122,984
Net Current Assets		42,887	53,278	148,186	101,442
Total Assets Less Current Liabilities		93,141	102,782	199,803	163,122
Capital and Reserves					
Share capital/paid-in capital	32	20,000	20,000	30,000	30,000
Reserves	33	72,155	82,487	168,337	132,195
Total Equity		92,155	102,487	198,337	162,195
Non-Current Liabilities					
Deferred tax liabilities	21	80	—	—	—
Lease liabilities	30	906	295	1,466	927
		986	295	1,466	927
		93,141	102,782	199,803	163,122

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Owners of the Company										
	Paid-in capital	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Other reserves	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	20,000	—	8,504	—	1,591	5,037	2,071	72,986	110,189	427	110,616
Profit for the year	—	—	—	—	—	—	—	12,754	12,754	15	12,769
Other comprehensive expense for the year	—	—	—	—	(1,005)	—	—	—	(1,005)	(34)	(1,039)
Total comprehensive (expense) income for the year	—	—	—	—	(1,005)	—	—	12,754	11,749	(19)	11,730
Contribution from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	1,173	1,173
Appropriation to surplus reserve	—	—	—	—	—	851	—	(851)	—	—	—
Distribution to the shareholders	—	—	—	—	—	—	—	(11,000)	(11,000)	—	(11,000)
Provision of safety fund surplus reserve	—	—	—	—	—	832	—	(832)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(47)	—	47	—	—	—
Deemed distribution to the shareholders (Note b)	—	—	(48)	—	—	—	—	—	(48)	—	(48)
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	1,129	—	1,129	—	1,129
At December 31, 2021	20,000	—	8,456	—	586	6,673	3,200	73,104	112,019	1,581	113,600
Profit for the year	—	—	—	—	—	—	—	36,735	36,735	42	36,777
Other comprehensive income for the year	—	—	—	—	3,404	—	—	—	3,404	158	3,562
Total comprehensive income for the year	—	—	—	—	3,404	—	—	36,735	40,139	200	40,339
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	2,166	—	2,166	—	2,166
Appropriation to surplus reserve	—	—	—	—	—	2,817	—	(2,817)	—	—	—
Distribution to the shareholders	—	—	—	—	—	—	—	(20,000)	(20,000)	—	(20,000)
Provision of safety fund surplus reserve	—	—	—	—	—	624	—	(624)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(263)	—	263	—	—	—
Conversion into a joint stock company	(20,000)	20,000	(8,456)	45,661	—	(5,422)	—	(31,783)	—	—	—
Deemed distribution to the shareholders (Note b)	—	—	—	(202)	—	—	—	—	(202)	—	(202)

Attributable to the Owners of the Company											
	Paid-in capital	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Other reserves	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022	—	20,000	—	45,459	3,990	4,429	5,366	54,878	134,122	1,781	135,903
Profit (loss) for the year	—	—	—	—	—	—	—	120,556	120,556	(22)	120,534
Other comprehensive (expense) income for the year	—	—	—	—	(579)	—	—	—	(579)	112	(467)
Total comprehensive (expense) income for the year	—	—	—	—	(579)	—	—	120,556	119,977	90	120,067
Acquisition of a subsidiary (Note 39)	—	—	—	—	—	—	—	—	—	791	791
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	7,036	—	7,036	—	7,036
Appropriation to surplus reserve	—	—	—	—	—	9,381	—	(9,381)	—	—	—
Distribution to the shareholders	—	—	—	—	—	—	—	(5,000)	(5,000)	—	(5,000)
Provision of safety fund surplus reserve	—	—	—	—	—	1,175	—	(1,175)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(509)	—	509	—	—	—
Conversion of share premium into share capital	—	10,000	—	(10,000)	—	—	—	—	—	—	—
Vested Restricted Shares (Note 34)	—	—	—	4,776	—	—	(4,776)	—	—	—	—
Deemed distribution to the shareholders (Note c)	—	—	—	(4,006)	—	—	—	—	(4,006)	—	(4,006)
At December 31, 2023	—	30,000	—	36,229	3,411	14,476	7,626	160,387	252,129	2,662	254,791

	Attributable to the Owners of the Company										
	Paid-in capital	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Other reserves	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	—	30,000	—	36,229	3,411	14,476	7,626	160,387	252,129	2,662	254,791
Profit (loss) for the period	—	—	—	—	—	—	—	82,494	82,494	(412)	82,082
Other comprehensive expense for the period	—	—	—	—	(2,348)	—	—	—	(2,348)	(246)	(2,594)
Total comprehensive (expense) income for the period	—	—	—	—	(2,348)	—	—	82,494	80,146	(658)	79,488
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	1,130	—	1,130	—	1,130
Distribution to the shareholders	—	—	—	—	—	—	—	(96,000)	(96,000)	—	(96,000)
Provision of safety fund surplus reserve	—	—	—	—	—	752	—	(752)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(108)	—	108	—	—	—
At June 30, 2024	—	30,000	—	36,229	1,063	15,120	8,756	146,237	237,405	2,004	239,409
At January 1, 2023	—	20,000	—	45,459	3,990	4,429	5,366	54,878	134,122	1,781	135,903
Profit for the period	—	—	—	—	—	—	—	49,572	49,572	156	49,728
Other comprehensive income (expense) for the period	—	—	—	—	1,487	—	—	—	1,487	(61)	1,426
Total comprehensive income for the period	—	—	—	—	1,487	—	—	49,572	51,059	95	51,154
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	1,130	—	1,130	—	1,130
Provision of safety fund surplus reserve	—	—	—	—	—	588	—	(588)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(130)	—	130	—	—	—
At June 30, 2023 (unaudited)	—	20,000	—	45,459	5,477	4,887	6,496	103,992	186,311	1,876	188,187

Notes:

- a. The other reserves mainly consist of surplus reserve and safety fund surplus reserve.
- b. During the year ended December 31, 2021, the Group acquired the entire equity interest in ContiOcean Pte. Ltd. (“**ContiOcean Singapore**”) for a consideration of RMB48,000 from Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, who act in concert in accordance with the Concert Party Agreement entered into among them on October 13, 2022 and also confirmed such acting in concert arrangement has been in place since the establishment of the Company (the “**Controlling Shareholders**”). During the year ended December 31, 2022, the Group acquired the equity interest in ContiLashing Pte. Ltd. (“**CTL**”) for a consideration of RMB202,000 from the Controlling Shareholders. CTL and ContiOcean Singapore were incorporated and controlled by the Controlling Shareholders. The acquisitions are accounted for as business combination under common control by applying merger accounting principle and the considerations are deemed as distribution to the Controlling Shareholders.
- c. On August 31, 2023, the Company acquired the entire business of Conti Marine Services Pte. Ltd. (“**CMS**”), a company controlled by the Controlling Shareholders, at nil consideration. The acquisitions are accounted for as business combination under common control by applying merger accounting principle and the difference of RMB4,006,000 between assets and liabilities not retained by the Group at the acquisition date was recognized as deemed distribution to the Controlling shareholders.
- d. As at December 31, 2021, 2022 and 2023 and June 30, 2023 and 2024, the retained earnings of RMB406,000, RMB1,265,000, RMB1,463,000, RMB1,265,000 (unaudited), RMB1,463,000 are surplus reserve of a subsidiary, which is undistributable.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	14,764	42,895	140,784	58,488	95,818
Adjustments for:					
Interest income	(47)	(278)	(845)	(491)	(2,435)
Interest expenses on borrowings	—	80	442	95	387
Interest expenses on lease liabilities	132	96	116	24	56
Depreciation of property, plant and equipment	2,198	3,744	4,343	2,442	3,223
Depreciation of right-of-use assets	1,247	1,245	1,430	478	764
Amortisation of other intangible assets	15	15	14	7	8
Share of results of associates	—	897	1,722	767	—
(Gain) loss arising on changes in fair value of financial assets at FVTPL	(1,608)	1,560	127	197	—
Impairment loss, net of reversal-financial assets and other items under ECL	924	709	1,700	521	304
Provision for inventories	—	463	2,352	211	394
Gain on deemed disposal of investments in an associate	—	—	(4,794)	—	—
Net foreign exchange loss (gain)	1,341	(3,593)	(1,723)	(1,351)	(3,777)
Gain on early termination of lease arrangements	—	(16)	(55)	—	—
Loss on disposal of equipment	—	—	—	—	121
Share-based payment expenses	1,129	2,166	7,036	1,130	1,130
Operating cash flow before movements in working capital	20,095	49,983	152,649	62,518	95,993
Increase in contract costs	—	(2,930)	(8,970)	(4,309)	(482)
(Increase) decrease in contract assets	—	(530)	421	—	(602)
(Increase) decrease in trade and other receivables	(35,884)	4,241	1,104	(30,778)	8,625
(Increase) decrease in restricted bank deposits	(50,474)	(8,370)	18,068	84	(3,807)
Increase in provisions	252	251	4,036	2,342	2,104
Increase (decrease) in trade and other payables and other current liabilities	2,801	14,405	(5,465)	2,403	(1,978)
Increase (decrease) in contract liabilities	39,825	(8,564)	13,752	48,393	(153,122)
(Increase) decrease in inventories	(22,528)	(54,821)	(1,993)	(5,723)	48,941
Cash (used in) generated from operations	(45,913)	(6,335)	173,602	74,930	(4,328)
Income tax paid	(852)	(4,050)	(22,495)	(12,040)	(10,580)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(46,765)	(10,385)	151,107	62,890	(14,908)

APPENDIX I
ACCOUNTANTS' REPORT

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
INVESTING ACTIVITIES					
Interest received	47	278	845	491	2,435
Rental deposits paid	—	(337)	(356)	(310)	—
Refund of rental deposits	3	572	484	—	—
Purchase of property, plant and equipment	(20,822)	(3,688)	(3,467)	(1,709)	(1,470)
Proceeds from disposal of property, plant and equipment	—	—	—	—	90
Purchase of intangible assets	—	—	(8,379)	(8,379)	—
Purchase of financial assets at FVTPL	(172,500)	(6,351)	(30,000)	(10,000)	—
Net cash outflow/cash prepaid on acquisition of a subsidiary	—	—	(2,307)	(1,660)	—
Proceeds received upon disposal of financial assets at FVTPL	226,800	5,294	29,873	9,803	—
Placement of restricted bank deposits	(1,008)	—	—	—	—
Withdrawal of restricted bank deposits	—	1,008	—	—	—
Acquisition of investment in associates	—	(4,016)	—	—	—
Withdrawal of term deposits	—	—	—	—	35,414
Placement of term deposits	—	—	(45,414)	(10,000)	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>32,520</u>	<u>(7,240)</u>	<u>(58,721)</u>	<u>(21,764)</u>	<u>36,469</u>
FINANCING ACTIVITIES					
Repayment of lease liabilities	(1,288)	(1,024)	(1,175)	(435)	(727)
Net cash outflow on acquisition of subsidiaries under common control	(1,000)	(14,000)	(281)	(281)	—
Net cash outflow on deemed distribution to the shareholders	—	—	(2,480)	—	—
Proceeds from bank borrowings	—	4,118	35,818	28,877	26,950
Repayment of bank borrowings	—	—	(20,036)	(4,118)	(19,900)
Bank interest paid	—	(80)	(442)	(95)	(387)
Proceeds from investors	173	8,271	10,528	10,392	—
Proceeds from a non-controlling shareholder	1,173	—	—	—	—
Deferred issue cost paid	—	—	—	—	(1,887)
Dividends paid	(11,000)	(20,000)	(5,000)	—	(48,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(11,942)</u>	<u>(22,715)</u>	<u>16,932</u>	<u>34,340</u>	<u>(43,951)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>128,688</u>	<u>100,082</u>	<u>66,723</u>	<u>66,723</u>	<u>177,414</u>
Effects of exchange rate changes	(2,419)	6,981	1,373	403	610
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>100,082</u>	<u>66,723</u>	<u>177,414</u>	<u>142,592</u>	<u>155,634</u>

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on May 31, 2017, as a limited liability company. On December 28, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The Non-H Shares of the Company became quoted on National Equities Exchange and Quotations ("NEEQ") (stock code:874207.NQ) in February 2024. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus. As at the date of this report, the Company is controlled by Controlling Shareholders.

The Group is a marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services provider. Particulars and principal activities of the subsidiaries are disclosed in Note 40.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, and amendments issued by IASB, which are effective for the Group's financial year beginning on January 1, 2024 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ³
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2025.

³ Effective for annual periods beginning on or after January 1, 2026.

⁴ Effective for annual periods beginning on or after January 1, 2027.

The application of IFRS 18 has no impact on the Group's financial positions and performance, but has impact on presentation of the consolidated statement of profit or loss and other comprehensive income. Except for the IFRS 18, the directors of the Company anticipate that the application of these amendments to IFRSs will have no material impact on the Group's financial position and performance in foreseeable future.

3. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation and presentation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB and the principle of merger accounting conventions applicable for business combination under common control (details are set out below). For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

During the Track Record Period, the Company acquired respective entire equity interest of CTL and ContiOcean Singapore. In addition, the Company acquired the entire business of CMS. Since CTL, ContiOcean Singapore and CMS were incorporated and controlled by the Controlling Shareholders, such business acquisitions are accounted for as business combination under common control by applying merger accounting principle. As a result, the Historical Financial Information has been prepared as if the Company had always controlled CTL, ContiOcean Singapore and the business of CMS since the incorporation of each entity.

The statutory financial statements of the Company for each of the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with Chinese Accounting Standards for Business Enterprises (“**CASBE**”) and were audited by Zhongxingcai Guanghua Certified Public Accountants LLP, certified public accountants registered in the PRC.

3.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill). When the Group disposes of an operation within the CGUs (or a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the CGUs disposed of and the portion of the CGUs (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

The group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the group does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 24 and 25.

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets the Group held are subsequently measured at FVTPL.

Amortized cost and interest income

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (“**FVTOCI**”) or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments (“**IFRS 9**”)

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amount due from a related party, amounts due from directors and supervisors, bank balances and term deposits), and other items (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognized lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognized lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Foreign exchange gains and losses

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

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the “other gains and losses” line item as part of the net foreign exchange gains or losses;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the “other gains and losses” line item as part of the fair value gains or losses of the financial assets.

Financial liabilities and equity

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities the Group held are subsequently measured at amortized cost using the effective interest method.

Financial liabilities subsequently measured at amortized cost

Financial liabilities, including trade and other payables and bank borrowings, are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the “other gains and losses” line item in profit or loss.

Derecognition of financial liabilities

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

Investment in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment losses.

Leases

Definition of 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.

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

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

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e., RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Shares granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payment reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When shares granted are vested, the amount previously recognized in the share-based payment reserve will transfer to share premium or capital reserve.

Taxation

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

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

Deferred tax is recognized on temporary 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to recognize the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognize, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible assets***Intangible assets acquired separately***

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

Internally-generated intangible assets — research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the CGUs to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale.

Provisions

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

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

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of Sulphur oxide exhaust gas cleaning systems are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In applying the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of CGUs to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows being expected to arise from the group of CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or change in facts and circumstances results in a downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. As at December 31, 2021, 2022 and 2023, and June 30, 2024, the carrying amount of goodwill is nil, nil, RMB8,524,000 and RMB8,585,000, respectively.

Recognition of share-based payment expenses

The share-based compensation expense is measured based on the fair value of the share awards as calculated under the discounted cash flow model. The directors of the Company are responsible for determining the fair value of the shares awards granted to directors and employees. The key assumptions used to determine the fair value of the share awards at the grant date include discount rate, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognized in the Historical Financial Information. Details of the share-based payment expenses are disclosed in Note 34.

5. REVENUE**Disaggregation of revenue from contracts with customers**

The Group's revenue streams are categorized as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Type of goods or services					
Marine exhaust gas cleaning systems	110,528	172,835	341,180	175,383	204,402
Marine energy-saving devices	—	14,961	58,031	16,361	22,557
Marine clean-energy supply systems	—	7,736	5,552	1,079	13,288
Maritime services	29,993	71,701	105,492	26,733	96,219
	<u>140,521</u>	<u>267,233</u>	<u>510,255</u>	<u>219,556</u>	<u>336,466</u>

(i) Performance obligations for contracts with customers and revenue recognition policies

Information about the Group's performance obligations and their corresponding revenue recognition policies are summarized as below:

Marine exhaust gas cleaning systems, marine energy-saving devices and marine clean-energy supply systems

These marine equipment and systems revenue streams are individually available to the customers. Each of the equipment and systems involves design, manufacture, delivery, installation and commissioning and system testing of tailor-made products to the customers. Since the customers are not able to have benefit from part of the process, each of the equipment and systems is accounted for as a single performance obligation. Revenue is recognised at a point in time when the control of the tailor-made products has been transferred to the customers. When a performance test including the commissioning tests and sea trials is required to be conducted, the control is transferred upon the

award of the sea trial report following the completion of commissioning being obtained representing the timing when the customers can direct the use of the products and the Group entitles the enforceable rights to the considerations. In other cases, the control is transferred when the related equipment and systems is accepted by the customer.

Maritime services

This revenue stream consists of a series of different service and product offerings to customers, mainly including ship interior decoration services and container fixed and loose fittings related equipment and systems.

Ship interior decoration services include the design and decoration of the ship's living quarters, as well as the supply of maritime equipment and spare parts to customers. Revenue from ship interior decoration services is recognised at a point in time whenever the interior decoration projects are completed, including the delivery of maritime equipment and spare parts, and accepted by the customers since this is the timing when the customers can direct the use of the maritime equipment and spare parts and the Group entitles the enforceable rights to the considerations. For the container fixed and loose fittings related equipment and systems, it involves design, manufacture and supply of products in accordance with the requirements of technical specifications, industry practices or standards and classification society rules and regulations. Revenue is recognised at a point in time when the control of the products has been transferred to the customers.

The Group normally requires advance and progress payments at a particular percentage as agreed with customers, such advance payment schemes result in contract liabilities until the control of the promised goods and services has been transferred to the customer.

A receivable is recognized by the Group when the revenue recognized is in excess of the advance and progress payments received before the revenue recognition except when the Group's right to consideration is conditional on the fulfilment of warranty obligations in an agreed period. In such case, a contract asset is recognized by the Group.

Contracts with customers normally include warranties period of 12 to 60 months from the point the goods or services being accepted by customers. This type of warranties is an assurance-type warranty that ensures that the goods and services fulfil the established quality standards and cannot be purchased separately, which does not constitute a single performance obligation. Accordingly, the Group/Company accounts for warranties in accordance with IAS 37.

(ii) *Geographical markets*

The Group's revenue from external customers, based on the respective country/region of the external customers' operations are as follows:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Mainland China	20,777	42,639	105,276	25,507	191,771
Overseas	119,744	224,594	404,979	194,049	144,695
	<u>140,521</u>	<u>267,233</u>	<u>510,255</u>	<u>219,556</u>	<u>336,466</u>
	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
Timing of revenue recognition	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
At a point in time	<u>140,521</u>	<u>267,233</u>	<u>510,255</u>	<u>219,556</u>	<u>336,466</u>

(iii) *Transaction price allocated to the remaining performance obligation for contracts with customers*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2021, 2022, 2023 and June 30, 2024, are RMB334,492,000, RMB549,066,000, RMB538,099,000 and RMB431,723,000, respectively. The remaining performance obligations are categorized as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or services				
Marine exhaust gas cleaning systems	267,128	404,891	230,004	150,208
Marine energy-saving devices	839	16,821	36,717	39,207
Marine clean-energy supply systems	13,566	24,437	87,116	110,998
Maritime services	52,959	102,917	184,262	131,310
	<u>334,492</u>	<u>549,066</u>	<u>538,099</u>	<u>431,723</u>

Based on management's estimate as at December 31, 2021, 2022 and 2023 and June 30, 2024, these remaining performance obligations are expected to be recognized as revenue within three years since the end of each year/period.

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), who is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the Track Record Period, the CODM assesses the operating performance and allocates the resources of the Group as a whole. Therefore, the CODM considers the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3 and no further analysis of the single segment is presented.

Information about major customers

During the Track Record Period, revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	N/A	N/A	190,318	85,024	N/A
Customer B	36,966	88,907	136,834	58,076	61,757
Customer C	42,476	58,461	N/A	N/A	66,876
Customer D	21,024	N/A	N/A	N/A	73,237
Customer E	18,237	N/A	N/A	N/A	79,292
Customer F	N/A	N/A	N/A	23,274	N/A
	<u>118,703</u>	<u>147,368</u>	<u>327,152</u>	<u>166,374</u>	<u>281,162</u>

N/A: not disclosed as the revenue from such customers was less than 10% of total revenue during the corresponding years/periods.

Geographical information

Information about the Group's non-current assets is presented based on the geographical location of the assets. Non-current assets excluded deferred tax assets.

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	63,399	62,613	66,953	65,340
Overseas	774	575	316	168
	<u>64,173</u>	<u>63,188</u>	<u>67,269</u>	<u>65,508</u>

7. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants related to income (Note)	2,065	401	2,767	788	185
Interest income on bank deposits	47	278	845	491	2,435
Others	121	23	—	—	11
	<u>2,233</u>	<u>702</u>	<u>3,612</u>	<u>1,279</u>	<u>2,631</u>

Note: The amount mainly represents various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's operating activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net foreign exchange gains (losses)	2,799	(3,575)	(8,241)	(7,330)	5,470
Gain on early termination of lease arrangements	—	16	55	—	—
Loss on disposal of equipment	—	—	—	—	(121)
Fair value gains (losses) of financial assets at FVTPL	1,608	(1,560)	(127)	(197)	—
Gain on deemed disposal of investments in an associate (Note 17)	—	—	4,794	—	—
Others	(374)	(100)	(3,057)	—	(4)
	<u>4,033</u>	<u>(5,219)</u>	<u>(6,576)</u>	<u>(7,527)</u>	<u>5,345</u>

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses on borrowings	—	80	442	95	387
Interest expenses on lease liabilities	132	96	116	24	56
	132	176	558	119	443

10. PROFIT BEFORE TAX

Profit before tax has been charged by the following:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax for the year/period has been arrived at after charging:					
Depreciation of property, plant and equipment	2,536	4,345	4,798	2,214	2,290
Depreciation of right-of-use assets	1,249	1,245	1,431	478	764
Amortisation of other intangible assets	15	15	14	7	8
	3,800	5,605	6,243	2,699	3,062
Changes in amount capitalised in inventories	(340)	(601)	(456)	228	933
	3,460	5,004	5,787	2,927	3,995
Auditor's remuneration	—	—	—	—	894
Directors and supervisors' remuneration	8,752	9,940	16,883	5,789	8,472
Other staff costs:					
— Salaries, bonus and other allowances	14,528	18,904	24,197	10,719	14,767
— Retirement benefit scheme contributions	876	1,309	1,672	753	927
— Equity-settled share-based payment expenses	377	1,414	1,508	754	754
	24,533	31,567	44,260	18,015	24,920
Changes in amount capitalised in inventories	(3,527)	(1,883)	(619)	1,213	751
	21,006	29,684	43,641	19,228	25,671
Amortisation of contract costs	11,079	13,644	27,278	14,198	18,982
Cost of inventories recognized as an expense (excluding write-down of inventories)	88,265	162,757	259,018	110,459	190,325
Write-down of inventories	—	463	2,352	211	394

11. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Income tax expenses comprise:					
Current tax:					
PRC Enterprise Income Tax (“EIT”)	1,679	6,728	17,333	8,360	11,314
Hong Kong Profits tax	—	—	3,855	2,484	305
Singapore Income tax	1,635	369	27	232	827
Deferred tax (Note 21)	(1,319)	(979)	(965)	(2,316)	1,290
	<u>1,995</u>	<u>6,118</u>	<u>20,250</u>	<u>8,760</u>	<u>13,736</u>

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Company have been accredited as a High-New Technology Enterprise (the “HNTE”) by the Science and Technology Bureau of Shanghai and relevant authorities in December 2019 for a term of three years ended December 31, 2021. The HNTE qualification of the Company was further renewed and extended to 2024. The Company was subject to a preferential income tax rate of 15% from year 2019 to 2024. Besides, ContiOcean (Nantong) E.P. Equipment Co., Ltd (“ContiOcean Nantong”), a wholly-owned subsidiary of the Company, has been accredited as a HNTE in October 2022, and subjected to the preferential income tax rate of 15% from 2022 to 2024.

ContiOcean International Development Co., Ltd. (“ContiOcean International”) has been recognized as small and micro enterprise. According to the relevant provisions of Announcement by the State Administration of Taxation, a preferential enterprise income tax rate of 20% was applied to small and micro enterprise and discounts on taxable income were further applicable for the portion of annual taxable income not exceeding RMB3,000,000 ranged from 50% to 87.5% during the Track Record Period.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% during the Track Record Period.

The tax rate used by the subsidiaries in Singapore is 17% during the Track Record Period. The subsidiaries in Singapore enjoy a 75% exemption on the first Singapore dollar (“SGD”) 10,000 of taxable income and a further 50% exemption on the next SGD190,000 of taxable income during the years ended December 31, 2021, 2022 and 2023.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the Track Record Period can be reconciled to the profit per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	14,764	42,895	140,784	58,488	95,818
Tax at the domestic income tax rate of 15% (Note i)	2,215	6,434	21,118	8,773	14,373
Tax effect of expenses that are not deductible for tax purpose	563	962	1,564	549	268
Tax effect of extra deduction of research and development expenses (Note ii)	(799)	(1,097)	(2,550)	(779)	(1,174)
Tax effect of tax losses not recognized	—	—	—	—	249
Utilization of tax losses previously not recognized	—	—	—	—	(34)
Income tax at concessionary rate	(256)	(191)	(167)	(56)	(290)
Effect of different tax rates of subsidiaries	272	10	285	273	344
Income tax expenses recognized in profit or loss	<u>1,995</u>	<u>6,118</u>	<u>20,250</u>	<u>8,760</u>	<u>13,736</u>

Notes:

- i. The domestic tax rate (which is PRC EIT preferential tax rate) in the jurisdiction where the operation of the Group is substantially based is used.
- ii. Pursuant to Caishui 2018 circular No. 99, the Company enjoyed super deduction of 175% on qualified research and development expenditures throughout the year ended December 31, 2021 and the first three quarters of 2022. Pursuant to Caishui 2023 circular No. 7, the Company enjoyed super deduction of 200% on qualified research and development expenditures in the last quarter of 2022 and throughout the year ended December 31, 2023 and six months ended with June 30, 2024. ContiOcean Nantong enjoyed super deduction of 200% on qualified research and development expenditures throughout the Track Record Period.

12. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors, supervisors and the chief executive officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors and supervisors of the Company) during the Track Record Period are as follows:

	Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2021							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	1,025	57	—	240	1,322
Mr. Zhao Mingzhu	July 20, 2019	—	1,025	57	—	240	1,322
Mr. Chen Zhiyuan	July 20, 2019	—	1,025	57	—	240	1,322
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	828	15	—	240	1,083
Mr. Chen Rui	December 20, 2022	—	697	57	188	150	1,092
		—	4,600	243	188	1,110	6,141
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	589	57	376	26	1,048
Mr. Yu Yuanyang	May 24, 2021	—	560	57	188	26	831
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	355	50	—	20	425
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	234	13	—	60	307
		—	1,738	177	564	132	2,611
For the year ended December 31, 2022							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	797	63	—	888	1,748
Mr. Zhao Mingzhu	July 20, 2019	—	924	63	—	88	1,075
Mr. Chen Zhiyuan	July 20, 2019	—	679	63	—	1,230	1,972
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	753	15	—	168	936
Mr. Chen Rui	December 20, 2022	—	522	63	188	250	1,023
		—	3,675	267	188	2,624	6,754
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	552	63	376	400	1,391
Mr. Yu Yuanyang	May 24, 2021	—	394	63	188	353	998
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	347	51	—	46	444
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	273	20	—	60	353
		—	1,566	197	564	859	3,186

APPENDIX I
ACCOUNTANTS' REPORT

	Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit	Share-based payments	Discretionary bonus	Total
				scheme contributions			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2023							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	1,921	68	4,776	427	7,192
Mr. Zhao Mingzhu	July 20, 2019	—	1,849	82	—	459	2,390
Mr. Chen Zhiyuan	July 20, 2019	—	1,792	82	—	729	2,603
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	850	14	—	240	1,104
Mr. Chen Rui	December 20, 2022	—	381	68	188	—	637
		—	6,793	314	4,964	1,855	13,926
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	438	68	376	216	1,098
Mr. Yu Yuanyang	May 24, 2021	—	451	68	188	225	932
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	389	52	—	95	536
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	301	20	—	70	391
		—	1,579	208	564	606	2,957
For the six months ended June 30, 2023							
(unaudited)							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	1,003	33	—	213	1,249
Mr. Zhao Mingzhu	July 20, 2019	—	898	33	—	229	1,160
Mr. Chen Zhiyuan	July 20, 2019	—	895	33	—	364	1,292
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	379	8	—	120	507
Mr. Chen Rui	December 20, 2022	—	191	33	94	—	318
		—	3,366	140	94	926	4,526
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	219	33	188	37	477
Mr. Yu Yuanyang	May 24, 2021	—	208	33	94	35	370
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	188	25	—	32	245
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	138	10	—	23	171
		—	753	101	282	127	1,263

Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit	Share-based payments	Discretionary bonus	Total	
			scheme contributions				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the six months ended June 30, 2024							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	913	35	—	1,161	2,109
Mr. Zhao Mingzhu	July 20, 2019	—	965	43	—	890	1,898
Mr. Chen Zhiyuan	July 20, 2019	—	895	43	—	576	1,514
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	472	8	—	598	1,078
Mr. Chen Rui	December 20, 2022	—	230	35	94	457	816
		—	3,475	164	94	3,682	7,415
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	225	35	188	22	470
Mr. Yu Yuanyang	May 24, 2021	—	230	35	94	22	381
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	37	13	—	—	50
Mr. Wu, Yunfeng (<i>note v</i>)	April 1, 2024	—	133	10	—	13	156
		—	625	93	282	57	1,057

Notes:

- (i) None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the Track Record Period.
- (ii) During the Track Record Period, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.
- (iii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.
- (iv) The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.
- (v) Mr. Wang Zhenkang was appointed as supervisor of the Company on March 27, 2023 and resigned on March 31, 2024. Afterwards Mr. Wu Yunfeng was appointed as supervisor of the Company on April 1, 2024.

Other dealings in favour of directors and supervisors

The Group

Amounts due from directors and supervisors

	As at January 1,	As at December 31,			As at June 30, 2024	Maximum amount outstanding during the				
						Year ended December 31,			Six months ended June 30,	
		2021	2022	2023		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)								(unaudited)	
Mr. Zhou Yang	3,005	2,920	3,189	—	—	3,005	3,189	3,842	3,189	—
Mr. Zhao Mingzhu	2,504	2,432	2,658	—	—	2,544	2,758	3,359	2,658	—
Mr. Chen Zhiyuan	2,504	2,432	2,658	—	—	2,504	2,658	3,201	2,658	—
Mr. Shu Wa Tung	1,633	1,586	1,733	—	—	1,633	1,733	1,833	1,833	—
Mr. Chen Rui	327	265	232	—	—	327	272	232	232	—
Mr. Shen Xiaowei	174	169	185	—	—	174	185	185	185	—
Mr. Yu Yuanyang	391	317	252	—	—	391	324	252	252	—
	<u>10,538</u>	<u>10,121</u>	<u>10,907</u>	<u>—</u>	<u>—</u>					

The Company

	As at January 1,	As at December 31,			As at June 30, 2024	Maximum amount outstanding during the				
						Year ended December 31,			Six months ended June 30,	
		2021	2022	2023		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)								(unaudited)	
Mr. Zhou Yang	304	232	160	—	—	304	232	160	160	—
Mr. Zhao Mingzhu	240	180	140	—	—	240	180	140	140	—
Mr. Chen Zhiyuan	—	—	—	—	—	40	100	544	—	—
Mr. Shu Wa Tung	—	—	—	—	—	25	—	—	—	—
Mr. Chen Rui	—	—	—	—	—	—	—	653	—	—
Mr. Shen Xiaowei	—	—	—	—	—	—	—	544	—	—
Mr. Yu Yuanyang	—	—	—	—	—	—	—	100	—	—
	<u>544</u>	<u>412</u>	<u>300</u>	<u>—</u>	<u>—</u>					

These amounts are non-trade related, unsecured, interest free and repayable on demand.

Five highest paid employees

The five highest paid individuals of the Group are directors of the Company for the Track Record Period, details of whose remuneration are set out above. The emoluments of these employees are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees (unaudited)</i>	<i>No. of employees</i>
Nil to Hong Kong Dollar (“HK\$”)					
1,000,000	—	—	—	2	1
HK\$1,000,001 to HK\$1,500,000	2	2	2	3	1
HK\$1,500,001 to HK\$2,000,000	3	1	—	—	1
HK\$2,000,001 to HK\$2,500,000	—	2	—	—	2
HK\$2,500,001 to HK\$3,000,000	—	—	2	—	—
HK\$3,000,001 to HK\$4,000,000	—	—	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

13. EARNINGS PER SHARE

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

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000</i>
Profit for the year/period attributable to owners of the Company	<u>12,754</u>	<u>36,735</u>	<u>120,556</u>	<u>49,572</u>	<u>82,494</u>
Number of shares					
	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000 (unaudited)</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the Company's conversion into a joint stock company in 2022 and the 10,000,000 shares issued in 2023 by conversion of the share premium into the share capital of the Company, as if 30,000,000 shares were in issue as at the beginning of the Track Record Period.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

14. DIVIDENDS

A final dividend of RMB0.37, RMB0.67, RMB0.17, nil and RMB3.20 per share totalling RMB11,000,000, RMB20,000,000, RMB5,000,000, nil and RMB96,000,000 was distributed to the shareholders in respect of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 (unaudited) and 2024.

The number of shares used in the calculation of dividend per share is adjusted retrospectively for the Company's conversion into a joint stock company in 2022 and the 10,000,000 shares issued in 2023 by conversion of the share premium into the share capital of the Company, as if 30,000,000 shares were in issue as at the beginning of the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Office equipment and furniture	Transportation equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST							
As at January 1, 2021	—	950	585	2,640	—	15,268	19,443
Additions	212	367	641	2,042	—	34,670	37,932
Transfer	45,669	3,573	696	—	—	(49,938)	—
As at December 31, 2021	45,881	4,890	1,922	4,682	—	—	57,375
Additions	50	72	788	—	250	243	1,403
Transfer	243	—	—	—	—	(243)	—
As at December 31, 2022	46,174	4,962	2,710	4,682	250	—	58,778
Additions	—	193	251	668	677	942	2,731
Acquisition of subsidiaries (Note 39)	—	—	6	—	—	—	6
As at December 31, 2023	46,174	5,155	2,967	5,350	927	942	61,515
Additions	—	172	53	670	—	614	1,509
Disposals	—	—	—	(293)	—	—	(293)
As at June 30, 2024	46,174	5,327	3,020	5,727	927	1,556	62,731
ACCUMULATED DEPRECIATION							
As at January 1, 2021	—	—	189	544	—	—	733
Provided for the year	1,310	256	159	811	—	—	2,536
As at December 31, 2021	1,310	256	348	1,355	—	—	3,269
Provided for the year	2,177	513	540	1,052	63	—	4,345
As at December 31, 2022	3,487	769	888	2,407	63	—	7,614
Provided for the year	2,195	540	680	1,102	281	—	4,798
As at December 31, 2023	5,682	1,309	1,568	3,509	344	—	12,412
Provided for the period	1,123	277	348	428	114	—	2,290
Eliminated on disposals	—	—	—	(82)	—	—	(82)
As at June 30, 2024	6,805	1,586	1,916	3,855	458	—	14,620
CARRYING VALUES							
As at December 31, 2021	44,571	4,634	1,574	3,327	—	—	54,106
As at December 31, 2022	42,687	4,193	1,822	2,275	187	—	51,164
As at December 31, 2023	40,492	3,846	1,399	1,841	583	942	49,103
As at June 30, 2024	39,369	3,741	1,104	1,872	469	1,556	48,111

Buildings with carrying amount of approximately nil, RMB42,687,000 and RMB40,492,000 and nil as at December 31, 2021, 2022 and 2023 and June 30, 2024, were pledged to banks to secure the bank borrowing facilities.

The Company

	Office equipment and furniture	Transportation equipment	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
As at January 1, 2021	430	2,639	—	3,069
Additions	<u>132</u>	<u>1,602</u>	<u>—</u>	<u>1,734</u>
As at December 31, 2021	562	4,241	—	4,803
Additions	<u>88</u>	<u>—</u>	<u>250</u>	<u>338</u>
As at December 31, 2022	650	4,241	250	5,141
Additions	<u>178</u>	<u>668</u>	<u>677</u>	<u>1,523</u>
As at December 31, 2023	828	4,909	927	6,664
Additions	<u>22</u>	<u>670</u>	<u>—</u>	<u>692</u>
As at June 30, 2024	<u>850</u>	<u>5,579</u>	<u>927</u>	<u>7,356</u>
ACCUMULATED DEPRECIATION				
As at January 1, 2021	138	544	—	682
Provided for the year	<u>93</u>	<u>785</u>	<u>—</u>	<u>878</u>
As at December 31, 2021	231	1,329	—	1,560
Provided for the year	<u>107</u>	<u>1,007</u>	<u>63</u>	<u>1,177</u>
As at December 31, 2022	338	2,336	63	2,737
Provided for the year	<u>136</u>	<u>1,060</u>	<u>281</u>	<u>1,477</u>
As at December 31, 2023	474	3,396	344	4,214
Provided for the period	<u>94</u>	<u>412</u>	<u>114</u>	<u>620</u>
As at June 30, 2024	<u>568</u>	<u>3,808</u>	<u>458</u>	<u>4,834</u>
CARRYING VALUES				
As at December 31, 2021	<u>331</u>	<u>2,912</u>	<u>—</u>	<u>3,243</u>
As at December 31, 2022	<u>312</u>	<u>1,905</u>	<u>187</u>	<u>2,404</u>
As at December 31, 2023	<u>354</u>	<u>1,513</u>	<u>583</u>	<u>2,450</u>
As at June 30, 2024	<u>282</u>	<u>1,771</u>	<u>469</u>	<u>2,522</u>

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Buildings	5.00% per annum
Machinery and equipment	9.50%–19.00% per annum
Office equipment and furniture	19.00%–31.67% per annum
Transportation equipment	9.50%–23.75% per annum
Leasehold improvements	Over the shorter of the lease term or 5 years

16. RIGHT-OF-USE ASSETS

The Group

	<u>Office premises</u>	<u>Land use right</u>	<u>Shoreline use right</u>	<u>Total</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Carrying amount					
As at January 1, 2021	—	5,107	2,227	7,334	
Additions	3,764	—	—	3,764	
Depreciation charge	(1,098)	(105)	(46)	(1,249)	
Exchange realignment	(14)	—	—	(14)	
As at December 31, 2021	<u>2,652</u>	<u>5,002</u>	<u>2,181</u>	<u>9,835</u>	
Depreciation charge	(1,094)	(105)	(46)	(1,245)	
Derecognition	(189)	—	—	(189)	
Exchange realignment	61	—	1	62	
As at December 31, 2022	<u>1,430</u>	<u>4,897</u>	<u>2,136</u>	<u>8,463</u>	
Additions	2,893	—	—	2,893	
Depreciation charge	(1,280)	(105)	(46)	(1,431)	
Derecognition	(480)	—	—	(480)	
Exchange realignment	15	—	—	15	
As at December 31, 2023	<u>2,578</u>	<u>4,792</u>	<u>2,090</u>	<u>9,460</u>	
Depreciation charge	(689)	(52)	(23)	(764)	
Exchange realignment	(6)	—	—	(6)	
As at June 30, 2024	<u>1,883</u>	<u>4,740</u>	<u>2,067</u>	<u>8,690</u>	
	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Expense relating to short-term leases	113	13	160	158	105
Total cash outflow for leases	<u>1,401</u>	<u>1,037</u>	<u>1,335</u>	<u>593</u>	<u>832</u>

The Company

	<u>Office premises</u> RMB'000
Carrying amount	
As at January 1, 2021	—
Additions	2,721
Depreciation charge	<u>(843)</u>
As at December 31, 2021	<u>1,878</u>
Depreciation charge	(834)
Derecognition	<u>(189)</u>
As at December 31, 2022	<u>855</u>
Additions	2,893
Depreciation charge	(1,000)
Derecognition	<u>(480)</u>
As at December 31, 2023	<u>2,268</u>
Depreciation charge	<u>(549)</u>
As at June 30, 2024	<u><u>1,719</u></u>

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	4	9	160	158	105
Total cash outflow for leases	<u>965</u>	<u>820</u>	<u>962</u>	<u>338</u>	<u>695</u>

(unaudited)

The Group regularly entered into short-term leases for office properties. As at December 31, 2021, 2022 and 2023 and June 30, 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the Track Record Period, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of 21 months to 72 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension or termination options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lump sum payments for land use right and shoreline use right were made upfront and with fixed terms of 50 years and 50 years respectively and depreciated on a straight line basis since the date of acquisition to the end of the contract terms.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Restrictions or covenants on leases

In addition, lease liabilities of RMB2,638,000, RMB1,521,000, RMB2,888,000 and RMB2,175,000 are recognized with related right-of-use assets of RMB2,652,000, RMB1,430,000, RMB2,578,000 and RMB1,883,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. These leased assets may not be used as security for borrowing purposes.

17. INTERESTS IN ASSOCIATES**The Group**

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in associates under equity methods	—	3,236	—	—

Details of each of the Group's associates at the end of each of years ended December 31, 2021, 2022 and 2023 and June 30, 2024 are as follows:

<u>Name of entities</u>	<u>Country of incorporation</u>	<u>Principal place of business</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>				<u>Principal activities</u>
			<u>As at December 31</u>			<u>At June 30,</u>	
			<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	
Wavelength Technology Center, LDA (“WTC”) (Note i)	Portugal	Portugal	—	33.78%	51.00%	51.00%	Research and technology service
Jiangsu ContiOcean Electronic Ltd. (Note ii)	the PRC	the PRC	—	40.00%	—	—	Prefabricated cabin processing

Notes:

- (i) On June 20, 2022, ContiOcean Environment Tech Co., Limited (“ContiOcean Hong Kong”), a wholly owned subsidiary of the Company, made a capital injection amounting to Euro (“EUR”) 500,000 (equivalent to RMB3,616,000) into WTC. After the injection, the Group obtained 33.78% of the equity interests in WTC and had significant influence over WTC. As a result, WTC was accounted for as an associate using equity method by the Group.

ContiOcean Hong Kong injected an additional EUR400,000 (equivalent to RMB3,156,000) into WTC, which was fully settled in December 2023. After the completion of the injection, the equity interests in WTC held by the Group increased from 33.78% to 51% and the Group obtained control over WTC. As a result, WTC became a subsidiary of the Group in December 2023. A gain on deemed disposal of WTC amounting to RMB4,794,000 was recognized. Details are disclosed in Note 39.

- (ii) Jiangsu ContiOcean Electronic Ltd. (“Jiangsu ContiOcean”) was established on July 4, 2022. ContiOcean Nantong held 40% equity interest in Jiangsu ContiOcean since its establishment with an investment cost of RMB400,000. On April 7, 2023, ContiOcean Nantong disposed the entire interest of Jiangsu ContiOcean at nil consideration to an independent third party.

Aggregate information of associates that are not individually material:

	<u>Year Ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
The Group's share of total comprehensive expense	—	(780)	(1,699)	(826)	—
Aggregate carrying amount of the Group's interests in these associates	—	3,236	—	2,410	—

18. GOODWILL

The Group

	<u>WTC Group</u>
	<i>RMB'000</i>
COST AND CARRYING AMOUNT	
As at January 1, 2021, December 31, 2021 and 2022	—
Goodwill arising on acquisition (<i>Note 39</i>)	<u>8,524</u>
As at December 31, 2023	8,524
Exchange realignment	<u>61</u>
As at June 30, 2024	<u><u>8,585</u></u>

The directors of the Company are of the view that there is no impairment on goodwill as at December 31, 2023 as completion date of the acquisition is in December 2023.

For the purpose of goodwill impairment assessment as at June 30, 2024, the recoverable amount of the group of CGUs that are expected to benefit from the synergies of the acquisition of WTC was determined based on a value-in-use calculation using the discounted cashflow method. The value-in-use calculation is based on the financial budgets of relevant business prepared by the management of the Company covering a five-year period. The cash flows beyond the five-year period were extrapolated by using a steady 2.0% growth rate, which was estimated with reference to the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. The estimated revenue, cost and expenses were based on the past performance and the management's expectation of future market development. Pre-tax discount rate of 14.72% was used to reflect market assessment of time value and the specific risks relating to the CGUs for the impairment assessment as at June 30, 2024.

As at June 30, 2024, the recoverable amount of the group of CGUs exceeded its carrying amount by RMB12,755,000. The management of the Company was in the view that there was sufficient headroom in respect of the reasonably possible changes in the key parameters, and had not identified that as reasonably possible changes in the key parameters would cause the carrying amount of the group of CGUs to exceed the recoverable amount as at June 30, 2024. If the pre-tax discount rate was changed to 18.21% or the forecasted revenue was to decrease by 69%, with other parameters remain constant, the recoverable amount of the group of CGU would equal its carrying amount.

19. INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of investment	45,000	45,648	46,355	56,708

20. OTHER INTANGIBLE ASSETS

The Group and the Company

	Intellectual properties
	<i>RMB'000</i>
COST	
As at December 31, 2021, December 31, 2022, December 31, 2023 and June 30, 2024	147
ACCUMULATED AMORTISATION	
As at January 1, 2021	9
Provided for the year	15
As at December 31, 2021	24
Provided for the year	15
As at December 31, 2022	39
Provided for the year	14
As at December 31, 2023	53
Provided for the period	8
As at June 30, 2024	61
CARRYING VALUES	
As at December 31, 2021	123
As at December 31, 2022	108
As at December 31, 2023	94
As at June 30, 2024	86

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over 10 years.

21. DEFERRED TAX ASSETS/LIABILITIES

The Group

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

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,485	2,430	3,433	2,125
Deferred tax liabilities	(80)	—	—	—
	<u>1,405</u>	<u>2,430</u>	<u>3,433</u>	<u>2,125</u>

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Accrued expenses	Provision for impairment of assets	Right-of-use assets	Lease liabilities	Unrealized profit on internal transactions	Tax losses	Provision	ECL provision	Fair value change of financial assets at FVTPL	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	—	—	—	—	88	—	—	—	—	—	88
Credited (charged) to profit or loss	10	—	(416)	414	1,123	97	43	124	(76)	—	1,319
Exchange adjustments	—	—	2	(2)	—	(1)	(1)	—	—	—	(2)
As at December 31, 2021	<u>10</u>	<u>—</u>	<u>(414)</u>	<u>412</u>	<u>1,211</u>	<u>96</u>	<u>42</u>	<u>124</u>	<u>(76)</u>	<u>—</u>	<u>1,405</u>
Credited (charged) to profit or loss	227	69	198	(182)	(146)	572	35	92	76	38	979
Exchange adjustments	—	—	(10)	11	—	36	4	5	—	—	46
As at December 31, 2022	<u>237</u>	<u>69</u>	<u>(226)</u>	<u>241</u>	<u>1,065</u>	<u>704</u>	<u>81</u>	<u>221</u>	<u>—</u>	<u>38</u>	<u>2,430</u>
(Charged) credited to profit or loss	(158)	373	(164)	197	(382)	333	599	205	—	(38)	965
Exchange adjustments	—	2	(3)	3	—	31	1	4	—	—	38
As at December 31, 2023	<u>79</u>	<u>444</u>	<u>(393)</u>	<u>441</u>	<u>683</u>	<u>1,068</u>	<u>681</u>	<u>430</u>	<u>—</u>	<u>—</u>	<u>3,433</u>
(Charged) credited to profit or loss	(25)	68	106	(109)	(634)	(1,051)	316	39	—	—	(1,290)
Exchange adjustments	—	4	1	(2)	(1)	(17)	—	(3)	—	—	(18)
As at June 30, 2024	<u>54</u>	<u>516</u>	<u>(286)</u>	<u>330</u>	<u>48</u>	<u>—</u>	<u>997</u>	<u>466</u>	<u>—</u>	<u>—</u>	<u>2,125</u>
As at January 1, 2023	237	69	(226)	241	1,065	704	81	221	—	38	2,430
Credited (charged) to profit or loss	779	32	(332)	337	1,240	(274)	452	120	—	(38)	2,316
Exchange adjustments	27	4	(2)	2	—	11	3	(2)	—	—	43
As at June 30, 2023 (Unaudited)	<u>1,043</u>	<u>105</u>	<u>(560)</u>	<u>580</u>	<u>2,305</u>	<u>441</u>	<u>536</u>	<u>339</u>	<u>—</u>	<u>—</u>	<u>4,789</u>

APPENDIX I
ACCOUNTANTS' REPORT

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the Group has unrecognized tax losses of nil, nil, approximately RMB5,196,000 and RMB6,733,000.

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Indefinite	—	—	5,196	6,733

No deferred tax liability is recognized on temporary differences of RMB27,480,000, RMB26,321,000, RMB44,780,000 and RMB46,094,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

The Company

The following is the analysis of the deferred tax balances for financial reporting purposes:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	10	359	450	609
Deferred tax liabilities	(80)	—	—	—
	<u>(70)</u>	<u>359</u>	<u>450</u>	<u>609</u>

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	<u>Accrued expenses</u>	<u>Provision for impairment of assets</u>	<u>Right -of-use asset</u>	<u>lease liabilities</u>	<u>Provision</u>	<u>ECL provision</u>	<u>Fair value change of financial assets at FVTPL</u>		<u>Total</u>
							<i>RMB'000</i>	<i>RMB'000</i>	
As at January 1, 2021	—	—	—	—	—	—	—	—	—
Credited (charged) to profit or loss	10	—	(282)	278	—	—	(76)	—	(70)
As at December 31, 2021	10	—	(282)	278	—	—	(76)	—	(70)
Credited (charged) to profit or loss	227	—	153	(142)	29	48	76	38	429
As at December 31, 2022	237	—	(129)	136	29	48	—	38	359
(Charged) credited to profit or loss	(158)	—	(212)	246	196	57	—	(38)	91
As at December 31, 2023	79	—	(341)	382	225	105	—	—	450
(Charged) credited to profit or loss	(25)	54	82	(83)	90	41	—	—	159
As at June 30, 2024	<u>54</u>	<u>54</u>	<u>(259)</u>	<u>299</u>	<u>315</u>	<u>146</u>	<u>—</u>	<u>—</u>	<u>609</u>
As at January 1, 2023	237	—	(129)	136	29	48	—	38	359
Credited (charged) to profit or loss	76	—	(355)	361	96	84	—	(38)	224
As at June 30, 2023 (Unaudited)	<u>313</u>	<u>—</u>	<u>(484)</u>	<u>497</u>	<u>125</u>	<u>132</u>	<u>—</u>	<u>—</u>	<u>583</u>

22. INVENTORIES

The Group

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	5,497	10,306	1,432	1,637
Work in progress	5,402	16,760	1,561	4,911
Finished goods	<u>21,430</u>	<u>60,221</u>	<u>84,389</u>	<u>30,566</u>
	<u>32,329</u>	<u>87,287</u>	<u>87,382</u>	<u>37,114</u>

Finished goods are net of a write-down of approximately nil, nil, RMB1,930,000 and RMB2,304,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

Raw materials are net of a write-down of approximately nil, RMB463,000, RMB841,000 and RMB875,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

The Company

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	469	469	—	—
Finished goods	<u>18,295</u>	<u>29,351</u>	<u>17,842</u>	<u>4,121</u>
	<u>18,764</u>	<u>29,820</u>	<u>17,842</u>	<u>4,121</u>

Finished goods are net of a write-down of approximately nil, nil, nil and RMB360,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

23. TRADE AND OTHER RECEIVABLES

The Group

Details of trade and other receivables are as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	5,580	19,423	42,153	45,819
Less: allowance for ECL (<i>Note 37</i>)	281	1,010	2,054	2,320
	5,299	18,413	40,099	43,499
Prepayments	79,223	57,559	42,982	28,196
Deferred issue costs	—	—	—	6,841
Value-added-tax (“VAT”) recoverable	531	4,580	1,146	1,492
VAT export refund receivable	—	919	2,734	866
Rental deposits	1,434	1,199	1,071	1,115
Less: allowance for ECL	638	638	638	638
	796	561	433	477
Custom deposits	326	389	326	—
Advance to employees	272	349	333	595
Others	3,218	692	140	151
	89,665	83,462	88,193	82,117

As at January 1, 2021, trade receivables from contracts with customers amounting to RMB1,634,000 (net of ECL allowance of nil).

The Group normally grants a credit period of 30 to 90 days or a particular period agreed with customers effective from the date when the revenue were recognized.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on revenue recognition dates at the end of each reporting period:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
0–30 days	4,956	12,024	21,041	30,406
31–90 days	302	4,387	17,453	5,467
91–180 days	—	1,140	1,017	6,071
181–365 days	—	253	584	1,080
Over 365 days	41	609	4	475
	5,299	18,413	40,099	43,499

Details of the assessment on the provision of ECL of trade receivables of the Group as at December 31, 2021, 2022 and June 30, 2024 are set out in Note 37.

The Group does not hold any collateral over these balances.

Trade and other receivables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
HK\$	199	517	—	20
SGD	194	240	61	60
United States dollar (“US\$”)	—	506	2,155	302
	<u>393</u>	<u>1,263</u>	<u>2,216</u>	<u>382</u>

The Company

Details of trade and other receivables are as follows:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
— subsidiaries	50,938	59,972	64,024	73,305
— third parties	—	5,821	13,961	19,370
Less: allowance for ECL	—	291	698	971
	50,938	65,502	77,287	91,704
Prepayments				
— subsidiaries	8,642	95,561	40,605	41
— third parties	7,849	7,222	9,581	12,090
Deferred issue costs	—	—	—	6,841
VAT recoverable	—	323	1,090	180
VAT export refund receivable	—	919	2,544	325
Rental deposits	403	195	390	434
Advance to employees	272	224	250	152
Others	300	299	—	8
	<u>68,404</u>	<u>170,245</u>	<u>131,747</u>	<u>111,775</u>

As at January 1, 2021, trade receivables from contracts with customers amounting to RMB44,205,000 (net of ECL allowance of nil).

The Company normally grants a credit period of 30 to 90 days or a particular period agreed with customers effective from the dates when the revenue were recognized.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based revenue recognition dates at the end of each reporting period:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	33,888	49,155	32,829	42,295
31–90 days	17,050	2,426	15,277	4,147
91–180 days	—	5,863	17,481	28,273
181–365 days	—	485	10,977	15,704
Over 365 days	—	7,573	723	1,285
	<u>50,938</u>	<u>65,502</u>	<u>77,287</u>	<u>91,704</u>

The Company does not hold any collateral over these balances.

Trade and other receivables that are denominated in currencies other than the functional currency of the Company are set out below:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	<u>169</u>	<u>52,539</u>	<u>48,062</u>	<u>31,759</u>

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group and the Company

Contract Assets

Certain marine services contracts of the Company and its subsidiaries include terms that require certain portion of the payments to be withheld by the customers until the expiry of the warranty period.

The Group typically agrees to a retention period of 12 months for a percentage ranging from 2% to 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditioned on the marine services not having any quality issues. The contract assets are transferred to trade receivables when the warranty obligations expire.

As at January 1, 2021, contract assets of the Group and the Company was nil and nil, respectively.

The Group and the Company classifies these contract assets as current because the Group and the Company expects to realize them in its normal operating cycle.

Contract Liabilities

For the contracts which require prepayments from the customers, the Group and the Company typically receive a deposit up to 80% of the total contract sum based on the different stage of the projects.

Revenue of RMB34,306,000, RMB78,873,000, RMB95,881,000, RMB33,866,000 and RMB168,851,000 of the Group was recognized during the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 (unaudited) and 2024, respectively, that was included in the contract liabilities at the beginning of the relevant years and periods.

Revenue of RMB6,383,000, RMB62,001,000, RMB66,400,000, RMB10,852,000 and RMB49,109,000 of the Company was recognized during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 (unaudited) and 2024 respectively, that was included in the contract liabilities at the beginning of the relevant years and periods.

Contract liabilities that are expected to be settled within the Group's and the Company's normal operating cycle are classified as current liabilities.

The significant decrease in contract liabilities of the Group and the Company was mainly due to the delivery of projects, resulting in the contract liabilities being recognized as revenue during the six months ended June 30, 2024. In addition, certain new orders obtained during the six months ended June 30, 2024 were secured by letter of credits instead of receiving deposits in advance.

As at January 1, 2021, contract liabilities of the Group and of the Company were RMB129,854,000 and RMB31,192,000, respectively.

25. CONTRACT COSTS

Details of contract cost are as follows:

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Incremental costs to obtain contracts (<i>Note i</i>)	—	579	10,425	10,186
Costs to fulfil contracts (<i>Note ii</i>)	—	2,351	1,475	2,196
	—	2,930	11,900	12,382

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Incremental costs to obtain contracts (<i>Note i</i>)	—	579	1,525	71
Costs to fulfil contracts (<i>Note ii</i>)	—	2,351	1,131	167
	—	2,930	2,656	238

Notes:

- i. Contract costs capitalized relate to the incremental sales commissions to sales agents whose selling activities resulted in customers entering into sale and purchase agreements whose revenue has not yet been recognized at each of the end of the reporting period.
- ii. Costs to fulfill contracts are mainly in relation to the design review fees of ongoing projects at each of the end of the reporting period.

Contract costs are recognized as expenses in the consolidated statement of profit or loss in the period in which the corresponding revenue is recognized.

There was no impairment in relation to the opening balance of capitalized costs or the costs capitalized during the Track Record Period.

26. AMOUNT DUE FROM A RELATED PARTY/AMOUNT DUE FROM A SUBSIDIARY/AMOUNTS DUE TO RELATED PARTIES/ AMOUNTS DUE TO SUBSIDIARIES

The amount due from a related party and amounts due to related parties, being a company controlled by the Controlling Shareholders, are non-trade, unsecured, interest-free and repayable on demand.

The amount due from a subsidiary and the amounts due to subsidiaries are non-trade, unsecured, interest-free and repayable on demand.

27. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS/TERM DEPOSITS

The Group and the Company

Cash and cash equivalents comprise demand deposits and short-term bank deposits held by the Group. Bank balances carry interests at market rates which was from 0.0001% to 1.00% as at December 31, 2021, from 0.0001% to 2.05% as at December 31, 2022, from 0.0001% to 5.30% as at December 31, 2023 and from 0.0001% to 0.80% as at June 30, 2024 respectively.

Restricted bank deposits carry interests at market rates which was from 0.01% to 2.90% as at December 31, 2021, from 0.25% to 2.90% as at December 31, 2022, from 0.20% to 2.90% as at December 31, 2023 and from 0.20% to 2.90% as at June 30, 2024 respectively.

As at December 31, 2023 and June 30, 2024, term deposits with an original maturity over three months but within one year and term deposits with an original maturity over one year carry interests at market rates which were 5.43% and 2.7%, nil and 2.7%, respectively.

Cash and cash equivalents, restricted bank deposits and term deposits that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Group				
US\$	34,294	6,608	56,071	17,003
SGD	563	798	600	805
RMB	—	8,800	38,687	42,309
HK\$	—	143	240	185
	<u>34,294</u>	<u>6,608</u>	<u>56,071</u>	<u>17,003</u>
	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Company				
US\$	<u>34,294</u>	<u>6,608</u>	<u>45,517</u>	<u>17,003</u>

28. TRADE AND OTHER PAYABLES

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— a related party	—	477	—	—
— third parties	20,797	32,073	29,472	29,886
Notes payable	—	2,287	1,044	5,610
Other payables				
— related parties	8,379	8,646	—	—
— third parties	5,829	4,061	6,245	4,131
Dividend payable (<i>Note</i>)	—	—	—	48,000
Payroll payables	3,470	7,755	8,068	6,238
Accrued expenses	4,915	3,239	9,115	8,026
Other tax payables	2,481	1,510	1,637	115
	<u>45,871</u>	<u>60,048</u>	<u>55,581</u>	<u>102,006</u>

Note: The dividend payable was subsequently paid in July 2024.

The average credit period on purchases of goods and services of the Group is within 120 days.

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
0–90 days	15,318	24,779	26,017	21,330
91–180 days	5,297	670	493	3,305
181–365 days	54	294	1,108	4,204
Over 365 days	128	6,807	1,854	1,047
	<u>20,797</u>	<u>32,550</u>	<u>29,472</u>	<u>29,886</u>

Trade and other payables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	2,021	931	5,491	2,006
US\$	—	—	—	1,972
SGD	874	88	680	27
EUR	—	267	83	95
RMB	—	—	308	—
	<u>—</u>	<u>—</u>	<u>308</u>	<u>—</u>

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
— third parties	1,013	5,436	9,854	10,046
— subsidiaries	2,491	27,025	2,440	6,211
Other payables				
— a subsidiary	—	—	143	—
— related parties	8,379	8,646	—	—
— third parties	—	228	1,459	1,474
Notes payables				
— a subsidiary	—	4,118	—	2,153
— third parties	—	1,076	1,044	317
Accrued expenses	65	468	1,521	6,076
Dividend payable (<i>Note</i>)	—	—	—	48,000
Payroll payables	2,113	3,454	4,172	1,961
Other tax payables	2,137	915	82	47
	16,198	51,366	20,715	76,285

Note: The dividend payable was subsequently paid in July 2024.

The average credit period on purchases of goods and services of the Company is within 120 days.

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–90 days	3,345	30,604	10,470	8,780
91–180 days	76	1,519	488	4,025
181–365 days	32	78	698	2,121
Over 365 days	51	260	638	1,331
	3,504	32,461	12,294	16,257

Trade and other payables that are denominated in currencies other than the functional currency of the Company are set out below:

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	—	—	785	14,161
EUR	—	267	—	4
HK\$	—	—	—	2,005
	—	—	—	2,005

The other payables of the Group and the Company are unsecured, interest-free and repayable on demand.

29. BANK BORROWINGS

The Group

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, nil, RMB9,900,000 and RMB9,950,000 are unsecured but guaranteed by the Controlling Shareholders of the Company.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, nil, RMB10,000,000 and RMB17,000,000 are unsecured but guaranteed by the Company, Mr. Yang Zhifu, the general manager of a subsidiary, and Mr. Zhou Yang.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, RMB4,118,000, nil, nil are unsecured and unguaranteed.

While the Controlling Shareholders provided guarantees for all of the bank borrowings as of June 30, 2024, such guarantees had been released by the relevant banks by December 20, 2024.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fixed-rate borrowings	—	3.20%	3.80%–3.85%	3.20%–3.85%

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above borrowings are repayable				
Within one year	—	4,118	19,900	11,950
Over two years but within five years	—	—	—	15,000
	<u>—</u>	<u>4,118</u>	<u>19,900</u>	<u>26,950</u>

The Company

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, nil, RMB9,900,000 and RMB9,950,000 are unsecured but guaranteed by the Controlling Shareholders of the Company.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company's borrowings are as follows:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fixed-rate borrowings	—	—	3.80%	3.50%

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above borrowings are repayable				
Within one year	—	—	9,900	9,950

30. LEASE LIABILITIES

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities payable:				
Within one year	1,171	899	1,395	1,248
Within a period of more than one year but not exceeding two years	874	596	1,118	927
Within a period of more than two years but not exceeding five years	593	26	375	—
	2,638	1,521	2,888	2,175
Less: Amount due for settlement with 12 months shown under current liabilities	(1,171)	(899)	(1,395)	(1,248)
Amount due for settlement after 12 months shown under non-current liabilities	1,467	622	1,493	927

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024.

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities payable:				
Within one year	942	612	1,081	1,066
Within a period of more than one year but not exceeding two years	611	295	1,091	927
Within a period of more than two years but not exceeding five years	295	—	375	—
	1,848	907	2,547	1,993
Less: Amount due for settlement with 12 months shown under current liabilities	(942)	(612)	(1,081)	(1,066)
Amount due for settlement after 12 months shown under non-current liabilities	906	295	1,466	927

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024.

31. PROVISIONS

The Group

	Warranty provision
	<i>RMB'000</i>
At January 1, 2021	—
Additional provision during the year	445
Utilisation of provision	(189)
Exchange realignment	(4)
	<hr/>
At December 31, 2021	252
Additional provision during the year	297
Utilisation of provision	(66)
Exchange realignment	20
	<hr/>
At December 31, 2022	503
Additional provision during the year	4,380
Utilisation of provision	(319)
Exchange realignment	(25)
	<hr/>
At December 31, 2023	4,539
Additional provision during the period	2,574
Utilisation of provision	(470)
	<hr/>
At June 30, 2024	<u>6,643</u>

The Company

	Warranty provision
	<i>RMB'000</i>
At January 1, 2021	—
Additional provision during the year	189
Utilisation of provision	(189)
	<hr/>
At December 31, 2021	—
Additional provision during the year	260
Utilisation of provision	(66)
	<hr/>
At December 31, 2022	194
Additional provision during the year	1,608
Utilisation of provision	(303)
	<hr/>
At December 31, 2023	1,499
Additional provision during the period	832
Utilisation of provision	(234)
	<hr/>
At June 30, 2024	<u>2,097</u>

The warranty provision represents management's best estimate of the Group's and the Company's liability under 12 to 60 months assurance-type warranty granted on products, based on prior experience and industry averages for defective products.

32. SHARE CAPITAL/PAID-IN CAPITAL

The Company converted into a joint stock company on December 20, 2022, the balance as at January 1, 2021 and December 31, 2021 represented the paid-in capital of the Company prior to the conversion of the Company. Share capital as at December 31, 2022 and 2023 and June 30, 2024 represented the issued share capital of the Company.

Paid-in capital	Paid-in capital	
	<u>RMB'000</u>	
Issued and fully paid		
As at January 1, 2021 and December 31, 2021		20,000
Conversion into a joint stock company (<i>Note i</i>)		<u>(20,000)</u>
As at December 31, 2022		<u>—</u>
Share capital		
	Number of shares	Nominal value of shares
	<u>RMB'000</u>	
Ordinary shares of RMB1 each		
Authorized and issued		
As at January 1, 2021 and December 31, 2021	—	—
Conversion into a joint stock company (<i>Note i</i>)	<u>20,000,000</u>	<u>20,000</u>
As at December 31, 2022	20,000,000	20,000
Conversion of share premium to share capital (<i>Note ii</i>)	<u>10,000,000</u>	<u>10,000</u>
As at December 31, 2023 and June 30, 2024	<u>30,000,000</u>	<u>30,000</u>

Notes:

- i. In December 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date of August 31, 2022 were converted into approximately 20,000,000 ordinary shares at RMB1.00 each.

The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

- ii. In July 2023, the Company converted share premium amounting to RMB10,000,000 to 10,000,000 ordinary shares with nominal value of RMB1.00 each.

33. RESERVES OF THE COMPANY

	Capital reserve	Share premium	Other reserves	Share- based payment reserve	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021	8,504	—	11,246	2,071	51,746	73,567
Profit and total comprehensive income for the year	—	—	—	—	8,507	8,507
Appropriation of surplus reserve	—	—	851	—	(851)	—
Distribution to the shareholders	—	—	—	—	(11,000)	(11,000)
Deemed distribution to the shareholders	(48)	—	—	—	—	(48)
Recognition of equity settled share-based payments	—	—	—	1,129	—	1,129
At December 31, 2021	<u>8,456</u>	<u>—</u>	<u>12,097</u>	<u>3,200</u>	<u>48,402</u>	<u>72,155</u>
Profit and total comprehensive income for the year	—	—	—	—	28,166	28,166
Conversion into a joint stock company	(8,456)	45,661	(5,422)	—	(31,783)	—
Distribution to the shareholders	—	—	—	—	(20,000)	(20,000)
Appropriation of surplus reserve	—	—	2,817	—	(2,817)	—
Recognition of equity settled share-based payments	—	—	—	2,166	—	2,166
At December 31, 2022	<u>—</u>	<u>45,661</u>	<u>9,492</u>	<u>5,366</u>	<u>21,968</u>	<u>82,487</u>
Profit and total comprehensive income for the year	—	—	—	—	93,814	93,814
Appropriation of surplus reserve	—	—	9,381	—	(9,381)	—
Distribution to the shareholders	—	—	—	—	(5,000)	(5,000)
Conversion of share premium into share capital	—	(10,000)	—	—	—	(10,000)
Recognition of equity settled share-based payments	—	—	—	7,036	—	7,036
Vested Restricted Shares	—	4,776	—	(4,776)	—	—
At December 31, 2023	<u>—</u>	<u>40,437</u>	<u>18,873</u>	<u>7,626</u>	<u>101,401</u>	<u>168,337</u>
Profit and total comprehensive income for the period	—	—	—	—	58,728	58,728
Distribution to the shareholders	—	—	—	—	(96,000)	(96,000)
Recognition of equity settled share-based payments	—	—	—	1,130	—	1,130
At June 30, 2024	<u>—</u>	<u>40,437</u>	<u>18,873</u>	<u>8,756</u>	<u>64,129</u>	<u>132,195</u>

34. SHARE-BASED PAYMENT TRANSACTIONS

During the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024, the Group has the following outstanding share-based payment arrangements.

In February 2019, the shareholders' meeting of the Company passed a resolution to transfer 8% of the equity interests in the Company to six key employees at the price of RMB1.00 per the then paid-in capital, in order to attract and retain the employees for the continual operation and development of the Group. The fair value of the equity interests of the Company at the grant date was RMB24.84 per the then paid-in capital. The equity interests vested over a three-year period with 1/3 of the equity interests granted vesting on each of the first, second and third anniversary of the grant date. The vesting of the equity interests is also subject to the performance condition of the Company's successful listing at a recognized stock exchange. The difference between the fair value of the equity interests transferred to these employees at the grant date and the price paid by them for such transfer was accounted for as equity settled share-based payment and the relevant expenses were recognized over the expected vesting period.

In May 2021, one of the six key employees resigned and the shares granted to this employee were transferred to Mr. Zhou Yang at cost and Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan and the other five key employees transferred 8% equity interests of the Company to ContiOcean Corporate Development LLP ("**ContiOcean Development**").

In January 2022, in order to attract and retain the employees for the continual operation and development of the Group, Mr. Zhou Yang transferred 12.50% of the interest in ContiOcean Development to ten employees, which represented 1% of the equity interests in the Company indirectly at the price of RMB0.55 per the then paid-in capital. The fair value of the Company's equity interests at the grant date was RMB24.70 per the then paid-in capital. The equity interests will vest over a three-year period with 1/3 of the equity interests granted vesting on each of the first, second and third anniversary of the grant date. The vesting of the equity interests is also subject to the performance condition of the Company's successful listing at a recognized stock exchange. The difference between the fair value of the equity interests transferred to these employees at the grant date and the price paid by them for such transfer was accounted for as equity settled share-based payment and the relevant expenses were recognized over the expected vesting period.

In November 2023, 0.7% of the shares of the Company were granted to Mr. Zhou Yang indirectly through the shares of ContiOcean Development, in order to retain and motivate Mr. Zhou Yang for the continual operation and development of the Group. These shares were vested immediately. As a result, the difference between the fair value of the shares at the grant date and the price paid by Mr. Zhou Yang was accounted for as equity settled share-based payment and the relevant expenses were recognized during the year ended December 31, 2023.

Set out below are details of the movements of the outstanding unvested shares granted under the share-based payment arrangements during the Track Record Period. The number of shares listed below is adjusted retrospectively for the Company's conversion into a joint stock company in 2022 and the 10,000,000 shares issued in 2023 by conversion of the share premium into the share capital of the Company, as if 30,000,000 shares were in issue as at the beginning of the Track Record Period.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Directors				
At the beginning of the year/period	75,000	75,000	75,000	75,000
Granted during the year/period	—	—	210,000	—
Vested during the year/period	—	—	(210,000)	—
	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
At the end of the year/period	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>

	As at December 31,			As at
	2021	2022	2023	June 30, 2024
Supervisors				
At the beginning and end of the year/period	225,000	225,000	225,000	225,000
Other Employees				
At the beginning of the year/period	300,000	150,000	450,000	390,000
Granted during the year/period	—	300,000	—	—
Forfeited during the year/period	(150,000)	—	(60,000)	—
At the end of the year/period	150,000	450,000	390,000	390,000

During each of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 and 2024, equity-settled share-based payment compensation expenses of RMB1,129,000, RMB2,166,000, RMB7,036,000, RMB1,130,000 (unaudited) and RMB1,130,000, respectively in relation to the above mentioned share-based payment arrangements were charged to profit or loss.

The Group has applied discounted cash flow method to determine the fair value of the underlying shares of RMB24.84 per the then paid-in capital granted in February 2019, RMB24.70 per the then paid-in capital granted in January 2022 and RMB23.58 per share granted in November 2023. Best estimates of key assumptions, such as discount rate and projections of future performance, are required to be determined by management. Key assumptions used in determining the fair value of shares under the share-based payment arrangements are as follows:

	Shares granted at		
	February 2019	January 2022	November 2023
Key assumptions			
Discount rate	14.76%	13.38%	11.41%
Risk-free interest rate	3.17%	2.78%	2.67%
Volatility	50%	45%	40%

The fair value of the restricted shares was valued by directors of the Company with reference to valuation reports prepared by 藍策亞洲(北京)企業管理諮詢有限公司 ValueLink Asia (Beijing) Enterprise Management Consulting Co., Ltd.* (“ValueLink”), an independent qualified valuer. The address of ValueLink is Room 301–3068, No. 16 West Sihuan Middle Road, Haidian District, Beijing, PRC.

* English name for identification purpose only.

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save for disclosed in elsewhere of the Historical Financial Information, the Group has the following material transactions and balances with the related parties during the Track Record Period.

The Group

Names	Relationships	Nature of balances/ transactions	At/year ended December 31,			At/six months ended June 30,	
			2021	2022	2023	2023	2024
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ContiOcean Pty Ltd.	A company that Mr. Chen Zhiyuan had control	Other payables	8,379	8,379	—	—	—
WTC	An associate, in which the Group had a 33.78% equity interest (Note i)	Other payables Other service received	— —	267 267	N/A 1,168	— 522	N/A N/A
Jiangsu ContiOcean	An associate, in which the Group had a 40% equity interest (Note ii)	Purchase of materials Trade payables	— —	8,881 477	— N/A	— N/A	N/A N/A
Sanhe Energy Co., Ltd.	A company that Mr. Zhou Yang and Mr. Chen Zhiyuan had control (Note iii)	Purchase of materials	2,207	N/A	N/A	N/A	N/A

The Company

Names	Relationships	Nature of balances	At December 31,			At June 30,
			2021	2022	2023	2024
			RMB'000	RMB'000	RMB'000	RMB'000
ContiOcean Pty Ltd.	A company that Mr. Chen Zhiyuan had control	Other payables	8,379	8,379	—	—
WTC	An associate, in which the Group had a 33.78% equity interest (Note i)	Other payables	—	267	N/A	N/A
	Subsidiaries	Trade receivables	50,938	65,502	77,287	91,704
	Subsidiaries	Prepayments	8,642	95,561	40,605	41
	Subsidiaries	Trade payables	2,491	27,025	2,440	6,211
	A subsidiary	Notes payables	—	4,118	—	2,153
	A subsidiary	Other payables	—	—	143	—

Notes:

- (i) The associate was previously held by the Group and subsequent to the additional capital injection as disclosed in Note 39, it has become a subsidiary of the Company on December 31, 2023. The transaction amount disclosed for the year ended December 31, 2023 is from January 1, 2023 to the date of acquisition.
- (ii) The associate was disposed by the Group during the year ended December 31, 2023 as disclosed in Note 17. The transaction amount disclosed for the year ended December 31, 2023 and six months ended June 30, 2023 is from January 1, 2023 to the date of disposal.
- (iii) Mr. Zhou Yang and Mr. Chen Zhiyuan lost control in this company in September 2021. The related party transactions disclosed in the Historical Financial Information included the transactions incurred from January 1, 2021 to September 30, 2021.

(b) Compensation of key management personnel

The remuneration of the directors, supervisors and senior management of the Group during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Short-term benefits	6,956	5,938	9,146	4,504	4,567
Discretionary bonus (<i>Note</i>)	1,336	3,774	2,995	1,118	3,785
Retirement benefit scheme contributions	497	583	656	307	325
Share-based payments	940	940	5,716	470	470
	<u>9,729</u>	<u>11,235</u>	<u>18,513</u>	<u>6,399</u>	<u>9,147</u>

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net assets, which includes cash and cash equivalents, restricted bank deposits and term deposits, net of bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debts and redemption of existing debts.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Amortized cost (including cash and cash equivalents)	180,246	158,435	308,304	256,443
Financial assets at FVTPL	504	—	—	—
	<u>180,750</u>	<u>158,435</u>	<u>308,304</u>	<u>256,443</u>
Financial liabilities				
Amortized cost	<u>49,052</u>	<u>51,937</u>	<u>56,661</u>	<u>114,577</u>

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Amortized cost (including cash and cash equivalents)	145,587	156,258	224,510	200,915
Financial assets at FVTPL	504	—	—	—
	<u>146,091</u>	<u>156,258</u>	<u>224,510</u>	<u>200,915</u>
Financial liabilities				
Amortized cost	<u>25,948</u>	<u>102,988</u>	<u>87,964</u>	<u>115,215</u>

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, cash and cash equivalents, restricted bank deposits, term deposits with an original maturity over three months but within one year, term deposits with an original maturity over one year, amount due from a related party, amounts due from directors and supervisors, trade and other payables, amounts due to related parties, and bank borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Cash and cash equivalents, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

The Group

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
US\$	34,294	7,114	58,226	17,305
HK\$	17,920	11,267	240	205
SGD	757	1,038	661	865
RMB	—	8,800	38,687	42,309
	<u>52,971</u>	<u>28,219</u>	<u>97,814</u>	<u>60,684</u>
Liabilities				
US\$	—	—	—	1,972
HK\$	2,021	931	5,491	2,006
SGD	874	88	680	27
EUR	—	267	83	95
RMB	—	—	308	—
	<u>2,895</u>	<u>1,286</u>	<u>6,562</u>	<u>4,100</u>

The Company

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
US\$	<u>34,463</u>	<u>59,147</u>	<u>93,579</u>	<u>48,762</u>
Liabilities				
US\$	—	—	10,038	14,161
EUR	—	267	—	4
HK\$	—	—	—	2,005
	<u>—</u>	<u>267</u>	<u>10,038</u>	<u>16,170</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in foreign currencies against respective entities' functional currencies, with which the Group and the Company may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in profit where foreign currencies strengthen 5% against functional currencies. For a 5% weakening of foreign currencies against functional currencies, there would be an equal and opposite impact on profit for the year/period.

The Group

	<u>Year ended December 31,</u>			<u>Six months ended</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>June 30,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Impact on profit or loss	<u>2,116</u>	<u>1,140</u>	<u>3,854</u>	<u>2,457</u>

The Company

	<u>Year ended December 31,</u>			<u>Six months ended</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>June 30,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Impact on profit or loss	<u>1,465</u>	<u>2,514</u>	<u>3,550</u>	<u>1,385</u>

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to restricted bank deposits, term deposits with an original maturity over three months but within one year, term deposits with an original maturity over one year, fixed rate bank borrowings and lease liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk

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

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables and contract assets are assessed collectively, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period.

According to assessment of the management, since the majority of the trade receivables and contract assets balance is still within the credit term and there's no indicator that the credit risk would significantly increase in the foreseeable future, in the opinion of the management, the impairment loss for the trade receivables and contract assets is insignificant.

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group has concentration of credit risk of the trade receivables amounting to RMB4,116,000, RMB7,431,000, RMB17,832,000 and RMB16,196,000, respectively, representing 73.76%, 38.26%, 42.30% and 35.35% of total trade receivables as at December 31, 2021, 2022 and 2023 and June 30, 2024 from the Group's largest debtors. RMB5,425,000, RMB16,721,000, RMB34,402,000 and RMB40,503,000 of the trade receivables was due from the five largest debtors, representing 97.22%, 86.09%, 81.61% and 88.40% of total trade receivables as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the credit loss rate of trade receivable is 5.04%, 5.20%, 4.87% and 5.06%, respectively.

For other receivables, the Group and the Company has applied ECL model in accordance to IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year/period. Except for the balance with one counterparty which has been fully impaired during 2021, the management of the Group believes that the Group's credit risk in other receivables is insignificant and therefore, the credit loss rate is nil as at December 31, 2021, 2022 and 2023 and June 30, 2024.

The credit risk on cash and cash equivalents, restricted bank deposits and term deposits are limited because the counterparties are reputable financial institutions. The Group and the Company assesses 12m ECL for bank balances, restricted bank deposits and term deposits, and considered the ECL allowance is insignificant at the end of each reporting period.

The following tables shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach and credit impaired other receivable.

	Trade receivables (Lifetime ECL)	Contract assets (Lifetime ECL)	Other receivable (Lifetime ECL)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2021	—	—	—	—
— Impairment losses recognised, net of reversal	286	—	638	924
— Exchange differences	(5)	—	—	(5)
As at December 31, 2021	<u>281</u>	<u>—</u>	<u>638</u>	<u>919</u>
— Impairment losses recognised, net of reversal	683	26	—	709
— Exchange differences	46	—	—	46
As at December 31, 2022	<u>1,010</u>	<u>26</u>	<u>638</u>	<u>1,674</u>
— Impairment losses recognised, net of reversal	1,689	11	—	1,700
— Write-off	(637)	—	—	(637)
— Exchange differences	(8)	—	—	(8)
As at December 31, 2023	<u>2,054</u>	<u>37</u>	<u>638</u>	<u>2,729</u>
— Impairment losses recognised, net of reversal	243	61	—	304
— Exchange differences	23	—	—	23
As at June 30, 2024	<u>2,320</u>	<u>98</u>	<u>638</u>	<u>3,056</u>

Liquidity risk

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

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

The Group

	Weighted average effective interest rate	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2021						
Trade and other payables	—	35,052	—	—	35,052	35,052
Amount due to a related party	—	14,000	—	—	14,000	14,000
Lease liabilities	4.75	1,268	920	604	2,792	2,638
		<u>50,320</u>	<u>920</u>	<u>604</u>	<u>51,844</u>	<u>51,690</u>
At December 31, 2022						
Trade and other payables	—	47,596	—	—	47,596	47,596
Bank borrowings	3.20	4,149	—	—	4,149	4,118
Lease liabilities	4.75	948	608	26	1,582	1,521
Amount due to a related party	—	223	—	—	223	223
		<u>52,916</u>	<u>608</u>	<u>26</u>	<u>53,550</u>	<u>53,458</u>
At December 31, 2023						
Trade and other payables	—	36,761	—	—	36,761	36,761
Bank borrowings	3.83	20,058	—	—	20,058	19,900
Lease liabilities	4.75	1,797	1,163	379	3,339	2,888
		<u>58,616</u>	<u>1,163</u>	<u>379</u>	<u>60,158</u>	<u>59,549</u>
At June 30, 2024						
Trade and other payables	—	87,627	—	—	87,627	87,627
Bank borrowings	3.42	11,962	—	16,330	28,292	26,950
Lease liabilities	4.75	1,320	947	—	2,267	2,175
		<u>100,909</u>	<u>947</u>	<u>16,330</u>	<u>118,186</u>	<u>116,752</u>

The Company

	Weighted average effective interest rate	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2021						
Trade and other payables	—	11,948	—	—	11,948	11,948
Amount due to a related party	—	14,000	—	—	14,000	14,000
Lease liabilities	4.75	1,008	638	297	1,943	1,848
		<u>26,956</u>	<u>638</u>	<u>297</u>	<u>27,891</u>	<u>27,796</u>
At December 31, 2022						
Trade and other payables	—	46,996	—	—	46,996	46,996
Amounts due to subsidiaries	0.20	55,992	—	—	55,992	55,992
Lease liabilities	4.75	638	297	—	935	907
		<u>103,626</u>	<u>297</u>	<u>—</u>	<u>103,923</u>	<u>103,895</u>
At December 31, 2023						
Trade and other payables	—	16,461	—	—	16,461	16,461
Amounts due to subsidiaries	0.20	61,603	—	—	61,603	61,603
Bank borrowings	3.80	9,994	—	—	9,994	9,900
Lease liabilities	4.75	1,474	1,136	379	2,989	2,547
		<u>89,532</u>	<u>1,136</u>	<u>379</u>	<u>91,047</u>	<u>90,511</u>
At June 30, 2024						
Trade and other payables	—	74,277	—	—	74,277	74,277
Amounts due to subsidiaries	0.20	30,988	—	—	30,988	30,988
Bank borrowings	3.50	9,950	—	—	9,950	9,950
Lease liabilities	4.75	1,136	947	—	2,083	1,993
		<u>116,351</u>	<u>947</u>	<u>—</u>	<u>117,298</u>	<u>117,208</u>

(c) Fair value measurements of financial instruments

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

A financial asset of the Group is measured at fair value at December 31, 2021. The following table gives information about how the fair value of the financial asset is determined (in particular, the valuation techniques and inputs used).

Financial asset	Fair value as at December 31,				Fair value as at June 30,	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
	2021	2022	2023	2024				
	RMB'000	RMB'000	RMB'000	RMB'000				
Financial assets at FVTPL	504	—	—	—	Level 2	Discounted cash flow	N/A	

There were no transfers between Level 1 and Level 2 during the Track Record Period.

Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

38. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total amount provided by the Group to the scheme in the PRC is RMB1,214,000, RMB1,601,000, RMB2,034,000, RMB914,000 and RMB1,159,000 for the year/period ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023(unaudited) and 2024, respectively.

39. ACQUISITION OF A SUBSIDIARY**For the year ended December 31, 2023**

As disclosed in Note 17, the Group obtained 33.78% of the equity interests in WTC and had significant influence over WTC in 2022 and WTC was accounted for as an associate using equity method by the Group.

In 2023, ContiOcean Hong Kong injected an additional EUR400,000 (equivalent to RMB3,156,000) into WTC. After the completion of the injection, the equity interests in WTC held by the Group increased from 33.78% to 51.00% and the Group obtained control over WTC. The acquisition has been accounted for as acquisition of business using the acquisition method. The total consideration for the acquisition consisted of the cash amounting to EUR400,000 (equivalent to RMB3,156,000) further injected and the fair value of the Group's original interests in WTC before acquisition amounting to RMB6,191,000. The difference between the fair value and the carrying amount of the Group's original interests in WTC before the acquisition amounting to RMB4,794,000 was recognized as a gain on deemed disposal of an associate of the Group.

The principal activities of WTC and its subsidiary are engaged in research and development of the clean energy technology and market expansion in Europe.

Fair value of consideration transferred

	<u>Amount</u>
	<i>RMB'000</i>
Cash	3,156
Fair value of 33.78% interest in WTC previously held	<u>6,191</u>
	<u>9,347</u>

Assets acquired and liabilities assumed at the date of acquisition

	<u>Amount</u>
	<i>RMB'000</i>
Net assets recognized:	
Property and equipment	6
Trade and other receivables	1,230
Cash and cash equivalents	849
Contract liabilities	(5)
Trade and other payables	<u>(466)</u>
	<u>1,614</u>

The fair value of trade and other receivables at the date of acquisition amounted to RMB1,230,000. The gross contractual amounts of those receivables acquired amounted to RMB1,230,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil. The management of the Group considers that the carrying amount of assets and liabilities of WTC and its subsidiary approximate to their fair values at the date of acquisition.

Non-controlling interests

The non-controlling interests (49%) in WTC recognized at the acquisition date was measured by reference to the fair value of the proportionate share of recognized amounts of net assets of WTC and amounted to RMB791,000.

Goodwill arising on acquisition

	<u>Amount</u>
	<i>RMB'000</i>
Cash consideration transferred	3,156
Fair value of interest in WTC previously held	6,191
Plus: non-controlling interests	791
Less: fair value of net assets acquired	<u>(1,614)</u>
Goodwill arising on acquisition	<u><u>8,524</u></u>

Goodwill arose on the acquisition of WTC because the acquisition consolidated and expanded the capacity of the Group's research and development and marketing capability of clean energy technology as at the date of acquisition. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from this acquisition is not expected to be deductible for tax purposes.

Gain on deemed disposal of an associate

	<u>Amount</u>
	<i>RMB'000</i>
Fair value of 33.78% interest in WTC previously held	6,191
Less: carrying amount of interest in an associate	<u>(1,397)</u>
	<u><u>4,794</u></u>

Net cash outflow on acquisition of a subsidiary

	<u>Amount</u>
	<i>RMB'000</i>
Cash consideration	3,156
Less: Cash and cash equivalents acquired	<u>(849)</u>
	<u><u>2,307</u></u>

WTC did not contribute any revenue or profit during the year ended December 31, 2023. If the acquisition had been completed on January 1, 2023, the total revenue of the Group for the year ended December 31, 2023 would have been RMB513,175,000 and the profit for the year of the Group ended December 31, 2023 would have been RMB117,571,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2023, nor is it intended to be a projection of future results.

40. PARTICULARS OF SUBSIDIARIES

As at December 31, 2021, 2022, 2023 and June 30, 2024 and the date of this report, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/incorporations	Issued and fully paid share/registered capital as at				Equity interest attributable to the Group as at				The date of this report	Principal activities	
		December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024	December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024			
						%	%	%	%	%		
Nantong ContiOcean (Note ii)	PRC, January 28, 2019	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	100	100	100	100	100	100	Manufacture of ship desulfurization systems
ContiOcean Hong Kong (Note iii)	Hong Kong, December 28, 2017	HKS10,000,000	HKS10,000,000	HKS10,000,000	HKS10,000,000	100	100	100	100	100	100	Ship desulfurization system business and maritime services
ContiOcean International (Note iv)	PRC, March 15, 2023	N/A	N/A	RMB10,000,000	RMB10,000,000	N/A	N/A	100	100	100	100	Marine equipment sales
ContiOcean Singapore (Note i)	Singapore, July 20, 2018	SGD10	SGD10	SGD10	SGD10	100	100	100	100	100	100	Ship desulfurization system business, ship clean-energy supply systems, and maritime services
CTL (Note i)	Singapore, August 1, 2019	SGD100	SGD100	SGD100	SGD100	100	100	100	100	100	100	Ship lashing fitting business
ContiOcean Global Energy Solution Pte. Ltd. (Note i)	Singapore, January 3, 2019	SGD1,200,000	SGD1,200,000	SGD1,200,000	SGD1,200,000	70	70	70	70	70	70	Provision of marketing services
Conti Marine Services Pte. Ltd	Singapore, August 1, 2019	SGD100	SGD100	SGD100	SGD100	100	100	—	—	—	—	Maritime services
Wavelength Technology Center, LDA (Note i)	The Portuguese Republic, April 14, 2022	N/A	EUR1,020	EUR1,020	EUR1,020	N/A	33.78	51	51	51	51	Research and development of clean energy supply systems, such as methanol gas supply systems
Wavelength Technology Center AS (Note i)	Norway, June 29, 2022	N/A	Norwegian Krone ("NOK") 30,000	NOK30,000	NOK30,000	N/A	33.78	51	51	51	51	Research and technology service
Alfaback Automation Co., Ltd (Note i)	PRC, September 30, 2019	RMB50,000,000	RMB50,000,000	RMB50,000,000	RMB50,000,000	100	100	100	100	100	100	Inactive

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at December 31, 2021, 2022 and 2023 and June 30, 2024.

Notes:

- (i) No statutory financial statements have been prepared for these subsidiaries, as there is no statutory audit requirement.
- (ii) The statutory financial statements of the subsidiary for the year ended December 31, 2021, 2022 and 2023 were prepared in accordance with CASBE and were audited by Nantong Changcheng Joint Certified Public Accountants LLP.
- (iii) The statutory financial statements of this subsidiary for the year ended December 31, 2021 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and were audited by Huang Tak Wai Certified Public Accountant. The statutory financial statements of this subsidiary for the year ended December 31, 2022 and 2023 were prepared in accordance with HKFRSs and were audited by Richmoral Certified Public Accountants LLP.
- (iv) The statutory financial statements of this subsidiary for the period from incorporation date to the year ended December 31, 2023 were prepared in accordance with CASBE and were audited by Zhongxingcai Guanghua Certified Public Accountants LLP.

41. MAJOR NON-CASH TRANSACTIONS

Other than the deemed disposal of WTC as disclosed in Note 39, there are no other major non-cash transactions during the Track Record Period.

42. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Amount due from a related party	Amounts due from directors and supervisors	Amounts due to related parties	Other receivables	Other payables	Lease liabilities	Bank Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	(8,185)	(10,121)	15,000	—	—	—	—	(3,306)
Financing cash flows	173	—	(1,000)	1,173	(11,000)	(1,288)	—	(11,942)
Non-cash changes:								
Acquisition of a subsidiary under common control	—	—	47	—	—	—	—	47
Dividend declared	—	—	—	—	11,000	—	—	11,000
New lease entered	—	—	—	—	—	3,764	—	3,764
Contribution from a non- controlling shareholders	—	—	—	(1,173)	—	—	—	(1,173)
Interest expenses	—	—	—	—	—	132	—	132
Exchange adjustments	—	—	—	—	—	30	—	30
At December 31, 2021	(8,012)	(10,121)	14,047	—	—	2,638	—	(1,448)
Financing cash flows	8,271	—	(14,000)	—	(20,080)	(1,024)	4,118	(22,715)
Non-cash changes:								
Acquisition of a subsidiary under common control	—	—	223	—	—	—	—	223
Dividend declared	—	—	—	—	20,000	—	—	20,000
Early termination of lease arrangements	—	—	—	—	—	(203)	—	(203)
Interest expenses	—	—	—	—	80	96	—	176
Exchange adjustments	(259)	(786)	5	—	—	14	—	(1,026)

	Amount due from a related party	Amounts due from directors and supervisors	Amounts due to related parties	Other receivables	Other payables	Lease liabilities	Bank Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022	—	(10,907)	275	—	—	1,521	4,118	(4,993)
Financing cash flows	—	10,528	(281)	—	(5,442)	(1,175)	15,782	19,412
Non-cash changes:								
New lease entered	—	—	—	—	—	2,893	—	2,893
Early termination of lease arrangements	—	—	—	—	—	(535)	—	(535)
Exchange adjustments	—	379	6	—	—	68	—	453
Dividend declared	—	—	—	—	5,000	—	—	5,000
Interest expenses	—	—	—	—	442	116	—	558
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>442</u>	<u>116</u>	<u>—</u>	<u>558</u>
At December 31, 2023	—	—	—	—	—	2,888	19,900	22,788
Financing cash flows	—	—	—	—	(50,274)	(727)	7,050	(43,951)
Non-cash changes:								
Dividend declared	—	—	—	—	96,000	—	—	96,000
Accrued issue costs	—	—	—	—	6,841	—	—	6,841
Exchange adjustments	—	—	—	—	—	(42)	—	(42)
Interest expenses	—	—	—	—	387	56	—	443
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>387</u>	<u>56</u>	<u>—</u>	<u>443</u>
At June 30, 2024	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,954</u>	<u>2,175</u>	<u>26,950</u>	<u>82,079</u>
At December 31, 2022	—	(10,907)	275	—	—	1,521	4,118	(4,993)
Financing cash flows	—	10,392	(281)	—	(95)	(435)	24,759	34,340
Non-cash changes:								
New lease entered	—	—	—	—	—	2,643	—	2,643
Exchange adjustments	—	316	6	—	—	46	—	368
Interest expenses	—	—	—	—	95	24	—	119
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95</u>	<u>24</u>	<u>—</u>	<u>119</u>
At June 30, 2023 (unaudited)	<u>—</u>	<u>(199)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,799</u>	<u>28,877</u>	<u>32,477</u>

43. SUBSEQUENT EVENTS

On July 27, 2024, to improve the Company's incentive mechanism to attract and retain outstanding talents and to promote the long-term development of the Company, the Company adopted a share option scheme pursuant to which a maximum of 3,930,000 options shall be granted to its directors, supervisors, senior management and core employees of the Group (the "Pre-IPO Share Option Scheme"). The exercise price for each option is RMB25.00. On July 29, 2024, the Company granted 3,930,000 options. The options granted under the Pre-IPO Share Option Scheme may be vested in tranches: (1) 33% vested on the first anniversary of the listing date of the H Shares of the Company on the Stock Exchange (the "Listing Date"), and exercisable from the first trading day after 12 months from the Listing Date to the last trading day within 24 months from the Listing Date; (2) 33% vested on the second anniversary of the Listing Date, and exercisable from the first trading day after 24 months from the Listing Date to the last trading day within 36 months from the Listing Date; and (3) 34% vested on the third anniversary of the Listing Date, and exercisable from the first trading day after 36 months from the Listing Date to the last trading day within 48 months from the Listing Date. The exercising conditions stipulated in the Pre-IPO Share Options Scheme include performance targets at both Company-level and grantee-level. The Company-level performance target is based on the net profit of the Company during the exercising period. The grantee-level performance target is based on the annual grantee-level performance appraisal of the relevant grantee. Only those grantees who achieve at least a grantee-level performance appraisal of satisfactory standard are qualified to exercise their options.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2024 and up to the date of this report.